

JOINT-STOCK COMPANY
“Moscow United Electric Grid Company”

Explanatory Note to Accounting
Statements for 2010

1. General information

Full name - Joint-Stock Company “Moscow United Electric Grid Company”.

Abbreviated name - JSC “MOESK”.

Legal address – 27 Ordzhonikidze Street, Podolsk City, Moscow Area.

Date and number of the state registration – 01 April 2005, #1057746555811.

JSC “MOESK” was established as a result of reorganization of JSC “Mosenergo” in the form of spinning-off based on the resolution of the annual meeting of shareholders of JSC “Mosenergo” (dated 29 June 2004). The number of the personnel of JSC “MOESK” as at 31 December 2010 equals 15,780 people.

The main kinds of the activities performed by JSC “MOESK” include:

- rendering of electricity transmission and distribution services in Moscow and the Moscow Area,
- connection of new consumers to electric grid and increase in the existing power of consumers,
- other kinds of activity, which are not forbidden by the Russian Federation laws.

The charter capital as at 31 December 2010 is RUR 24,353,545,787 (twenty four billion, three hundred and fifty-three million, five hundred and forty-five thousand, seven hundred and eighty-seven), the number of shares equals 48,707,091,574 (forty-eight billion, seven hundred and seven million, ninety-one thousand, five hundred and seventy-four) pieces of RUR 0.50 par value.

Closed Joint-Stock Company “NP Consult” was approved as the Company Auditor based on the resolution of the General Meeting of Shareholders of JSC “Moscow United Electric Grid Company” of 30 June 2010 (minutes #9 dated 2 July 2010).

CJSC “NP Consult” is a member of the self-regulatory organization of auditors - Noncommercial Partnership “Institute of Professional Auditors” (IPAR), Appraisers Association, Member of the International Union of Tariff Experts.

The resolution on integration of the Company branches was passed on 8 October 2007 at the meeting of the Company Management Board (minutes #13 dated 8 October 2007): Northern Electric Grids (on the basis of the branches Oktyabrskie Electric Grids and Dmitrovskie Electric Grids), Southern Electric Grids (on the basis of the branches Podolskie Electric Grids and Kashirskie Electric Grids), Western Electric Grids (on the basis of the branches Mozhaiskie Electric Grids and Volokolamskie Electric Grids), Eastern Electric Grids (on the basis of the branches Noginskie Electric Grids, Kolomenskie Electric Grids, Shaturskie Electric Grids). According to the resolution of the Board of Directors of JSC “MOESK” dated 2 November 2007 (minutes #51 dated 7 November 2007), the branches of JSC “Moscow United Electric Grid Company” serving as a basis for integration of the Company branches were liquidated. The amendments fixing the structure of the integrated branches of JSC “MOESK” were incorporated into the Charter under the

resolution of the Board of Directors of JSC “MOESK” dated 26 February 2008 (minutes #56 dated 27 February 2008).

On the basis of the resolution of the extraordinary General Meeting of Shareholders of JSC “MOESK” (hereinafter referred to as the “Company”) dated 18 April 2008 (minutes #6 dated 28 April 2008), the Company was reorganized in the form of accession of Joint-Stock Company “Moscow City Electric Grid Company” (hereinafter referred to as JSC “MGEsK”) to it. According to the transfer certificate approved by the extraordinary General Meeting of Shareholders of JSC “MGEsK” dated 18 April 2008 (minutes #1 dated 28 April 2008), the Company is the subsequent proprietor in respect of all of their rights and duties as from the moment of making an entry on termination of the activities of JSC “MGEsK” in the Uniform State Register of Legal Entities.

According to the resolution of the Board of Directors of JSC “MOESK” dated 29 April 2008 (minutes #61 dated 4 May 2008), Moscow Cable Grids – the branch of JSC “Moscow United Electric Grid Company” was established on the basis of the Company acceded to JSC “MOESK” (JSC “MGEsK”).

Owing to the changes in the structure of JSC “MOESK” in 2007-2008, JSC “MOESK” has 7 branches in the structure as at 31 December 2010:

1. Southern Electric Grids
2. Eastern Electric Grids
3. Northern Electric Grids
4. Western Electric Grids
5. High-Voltage Cable Grids
6. Central Electric Grids
7. Moscow Cable Grids.

According to the resolutions of the Company Board of Directors dated 7 December 2007 (minutes #53 dated 7 December 2007) and the Company Management Board dated 7 December 2007 (minutes #19/1 dated 7 December 2008), JSC “MOESK” founded three subsidiaries in December of 2007 on the basis of the property of the repairs and service branches: JSC “MKSM”, JSC “RETO Plant”, and JSC “MKER” with 100%-stake as a shareholder in the charter capital of each of the specified entities.

On 29 December 2007, Interregional Inspection of the Federal Tax Service #46 for Moscow made an entry in the Uniform State Register of Legal Entities on creation of Joint-Stock Company “Moskabel’set’montazh”, Joint-Stock Company “Electrical Equipment Maintenance Plant”, Open Joint-Stock Company “Moskabel’energoremont”.

The dependent Joint-Stock Company “Energocenter” was established on 2 May 2006 according to the Governmental Order of the Moscow Area dated 7 December 2005.

The shareholders:

- Joint-Stock Company “Moscow Regional Investment Trust Company” - 50% of shares
- JSC “Moscow United Electric Grid Company” - 50% of shares.

Owing to reorganization of JSC “MOESK” in the form of accession of JSC “MGEsK” to it, on 18 April 2008 the shareholders of JSC “MOESK” passed the resolution to increase the charter capital of JSC “MOESK” by way of placement of additional shares through converting the shares of JSC “MGEsK” into them.

The shares of JSC “MOESK” are traded on the organized securities markets of JSC “RTS” and CJSC “MICEX SE” and are included in the Quotation List “A” of the first level in CJSC “MICEX SE” and in the Quotation List “A” of the second level in JSC “RTS”.

The capitalization of JSC “MOESK” has been RUR 79,343.85 million as at 31 December 2010.

The membership of the Company Board of Directors includes:

#	Full name	Position in the Board of Directors	Place of work	Position as at 31 December 2010
1	Nikolay Nikolaevich Shvets	Chairperson of the Board of Directors	IDGC Holding, OJSC	General Director Chairperson of the Management Board
2	Denis Lvovich Gur'yanov	Member of the Board of Directors	IDGC Holding, OJSC	First Deputy Chief of the Corporate Governance and Shareholder Relations Department
3	Anatoly Anatolievich Gavrilenko	Member of the Board of Directors	CJSC “Leader” (Pension Fund Asset Management Company)	General Director
4	Alexey Felixovich Bodunkov	Member of the Board of Directors	Moscow Area Government	Adviser to Governor of the Moscow Area
5	Evgeny Viktorovich Sklyarov	Member of the Board of Directors	Moscow Government	Head of the Fuel and Energy Economy Department of Moscow
6	Sergey Mikhailovich Kerber	Member of the Board of Directors	CJSC “Leader” (Pension Fund Asset Management Company)	Head of the Investment Projects and Programs Directorate – Managing Director
7	Alexey Victorovich Nuzhdov	Member of the Board of Directors	CJSC “Leader” (Pension Fund Asset Management Company) NPF “Gasfond”	Deputy General Director for Safety, Head of the Corporate Protection Administration
8	Alexander Albertovich Popov	Member of the Board of Directors	IDGC Holding, OJSC	Deputy General Director Head of the Administration
9	Konstantin Yurievich Petukhov	Member of the Board of Directors	IDGC Holding, OJSC	Director for Strategy and Development
10	Sergey Valentinovich Grishchenko	Member of the Board of Directors	“Gazprombank” (Open Joint-Stock Company)	Deputy Chief of the Direct Investments Department
11	Wolfgang Skribot	Member of the Board of Directors	“Gazprombank” (Open Joint-Stock Company)	Managing Director of the Direct Investments Department
12	Nikolay	Member of the	JSC “SO UES”	First Deputy Chairperson

	Grigorievich Shul'ginov	Board of Directors		of the Management Board
13	Sergey Evgenievich Yurchuk	Member of the Board of Directors	IDGC Holding, OJSC	Director for Finances

The membership of the Company Management Board includes:

#	Full name	Place of work	Position as at 31 December 2010
1	Andrey Pavlovich Konovalov	JSC "Moscow United Electric Grid Company"	General Director
2.	Olga Leonidovna Bulanova	JSC "Moscow United Electric Grid Company"	Deputy General Director for Economy and Finances
3	Mikhail Lvovich Krupin	JSC "Moscow United Electric Grid Company"	Deputy General Director for Technological Connections in Moscow
4	David Felixovich Kuznetsov	JSC "Moscow United Electric Grid Company"	Deputy General Director for Special Projects
5	Yury Vadimovich Marakin	JSC "Moscow United Electric Grid Company"	Deputy General Director for Security
6	Grigory Yakovlevich Volkenshtein		
7	Anatoly Vasilievich Chegodaev	JSC "Moscow United Electric Grid Company"	Deputy General Director - Technical Director

The membership of the Internal Audit Commission includes:

#	Full name	Position in the Internal Audit Commission	Place of work	Position as at 31 December 2010
1	Izumrud Aligadzhievna Alimuradova	Chairperson of the Internal Audit Commission	IDGC Holding, OJSC	Chief of the Internal Audit and Risk Management Department
2	Lyudmila Dmitrievna Kormushkina	Member of the Internal Audit Commission	IDGC Holding, OJSC-	Chief of the Audit Arrangement and Performance Division of the Internal Audit Department
3	Maxim Mikhailovich Saukh	Member of the Internal Audit Commission	IDGC Holding, OJSC	Deputy Chief of the Corporate Governance and Shareholder Relations Department
4	Vladimir Nikolaevich Arkhypov	Member of the Internal Audit Commission	IDGC Holding, OJSC	First Deputy Chief of the Security Department

5	Irina Alexandrovna Filippova	Member of the Internal Audit Commission	IDGC Holding, OJSC	Leading Expert of the Audit Arrangement and Performance Division of the Internal Audit Department
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2. Accounting policy

In the reporting period, the Company applied the bookkeeping and tax accounting policy approved by order #823 of General Director dated 30 December 2009.

The bookkeeping and tax accounting policy is attached to the explanatory note.

2.1. Legal framework

The Company accounting statement has been generated based on the rules of bookkeeping and tax accounting and reporting, which are effective in the Russian Federation, in particular:

Federal Law #129-FZ dated 21 November 1996 “On Bookkeeping Accounting”;

Regulations on conducting of accounting and bookkeeping reports in the Russian Federation approved by order #34n of the Ministry of Finance of Russia dated 29 July 1998;

Accounting Regulations #1/2008 “Accounting Policy of an Enterprise” approved by order #106n of the Ministry of Finance of Russia dated 6 October 2008;

Accounting Regulations #2/2008 “Accounting of Agreements (Contracts) for Capital Construction” approved by order #116n of the Ministry of Finance of Russia dated 24 October 2008;

Accounting Regulations #3/2006 “Accounting of Assets and Liabilities, the Value of which is Expressed in the Foreign Currency” approved by order #154n of the Ministry of Finance of Russia dated 27 November 2006;

Accounting Regulations #4/99 “Accounting reports of an Enterprise” approved by order #43n of the Ministry of Finance of Russia dated 6 July 1999;

Accounting Regulations #5/01 “Accounting of Inventories” approved by order #44n of the Ministry of Finance of Russia dated 9 June 2001;

Accounting Regulations #6/01 “Accounting of Fixed Assets” approved by order #26n of the Ministry of Finance of Russia dated 30 March 2001;

Accounting Regulations #7/98 “Events after the Reporting Date” approved by order #56n of the Ministry of Finance of Russia dated 25 November 1998;

Accounting Regulations #8/01 “Contingencies” approved by order #96n of the Ministry of Finance of Russia dated 28 November 2001;

Accounting Regulations #9/99 “Incomes of an Enterprise” approved by order #32n of the Ministry of Finance of Russia dated 6 May 1999;

Accounting Regulations #10/99 “Expenses of an Enterprise” approved by order #33n of the Ministry of Finance of Russia dated 6 May 1999;

Accounting Regulations #11/2008 “Information on Affiliated Persons” approved by order #48n of the Ministry of Finance of Russia dated 29 April 2008;

Accounting Regulations #12/2010 “Information per Segments” approved by order #143n of the Ministry of Finance of Russia dated 8 November 2010;

Accounting Regulations #13/2000 “Accounting of the State Assistance” approved by order #92n of the Ministry of Finance of Russia dated 16 October 2000;

Accounting Regulations #14/2007 “Accounting of Intangible Assets” approved by order #153n of the Ministry of Finance of Russia dated 27 December 2007;

Accounting Regulations #15/2008 “Accounting of Loans and Credits and Expenses on their Servicing” approved by order #107n of the Ministry of Finance of Russia dated 6 October 2008;

Accounting Regulations #16/02 “Information on Terminated Operations” approved by order #66n of the Ministry of Finance of Russia dated 2 July 2002;

Accounting Regulations #17/02 “Accounting of Expenses on Research, Design and Experimental and Technological Works” approved by order #115n of the Ministry of Finance of Russia dated 19 November 2002;

Accounting Regulations #18/02 “Accounting of Calculations on Profit Tax” approved by order #114n of the Ministry of Finance of Russia dated 19 November 2002;

Accounting Regulations #19/02 “Accounting of Financial Investments” approved by order #126n of the Ministry of Finance of Russia dated 10 December 2002;

Accounting Regulations #20/03 “Information on Participation in Joint Activities” approved by order #105n of the Ministry of Finance of Russia dated 24 November 2003;

Accounting Regulations #21/2008 “Change of Assessed Values” approved by order #106n of the Ministry of Finance of Russia dated 6 October 2008;

Accounting Regulations #22/2010 “Correction of Mistakes in Accounting and Reporting” approved by order #63n of the Ministry of Finance of Russia dated 28 June 2010;

Other effective accounting rules (standards) of Russia.

Tax, labor, land and other codes.

The Company assets and liabilities are assessed in the reporting based on actual expenses on their purchase.

2.2. Short-term and long-term assets

The assets are referred to short-term assets in the reporting, if the time of their use does not exceed 12 months as from the date following the reporting date; the other assets are presented in the reporting as long-term ones.

2.3. Intangible assets

JSC “MOESK” does not have intangible assets.

2.4. Fixed assets

The structure of the fixed assets shows land plots, buildings, machines, equipment, vehicles and other respective facilities with the service life exceeding 12 months.

The fixed asset facilities are included for accounting purposes based on the actual expenses on purchase, construction and manufacturing. The fixed assets are shown in the reporting at their residual value.

The fixed asset facilities were included for accounting purposes from JSC “Mosenergo” as at 1 April 2005 and from JSC “MGEsK” as at 1 July 2008 at the residual value, which represents the initial value for JSC “MOESK”. Depreciation was charged using the linear way per the kinds based on the residual value of the fixed assets and residual time of useful life.

Land plots and housing resources were not depreciated.

The incomes and charges related with retirement and writing-off of fixed assets are shown in the Profit and Loss Statement in the structure of other incomes and expenses.

2.5. Inventories

The inventories have been assessed in the amount of actual purchase expenses.

The assessment of the inventories in the process of their release to production and other retirement was carried out in 2010 at the average cost.

2.6. Deferred expenses

The expenses incurred by the Company in the reporting year, but related to the following reporting periods, are shown as deferred expenses, are subject to writing-off according to their purpose in regular intervals during the periods they are related to.

2.7. Debts of buyers and customers

The debts of buyers and customers have been determined based on the prices established in the agreements between the Company and buyers and customers.

2.8. Reserves for future expenses

JSC “MOESK” did not create reserves for future expenses in 2010.

2.9. Recognition of incomes

The earnings related with sale of products and goods, rendering of services were included for accounting purposes in the process of shipment of the products to buyers (or rendering of services) and presentation of settlement documents to them. The earnings are shown in the Income and Loss Statement net of the value added tax. The incomes for the taxation purposes are calculated by JSC “MOESK” using the accrual method. According to this method, the incomes are recognized in the reporting period, in which they were actually incurred, irrespective of the actual receipt of money.

The incomes of usual operations include:

- electricity transportation incomes;
- incomes owing to rendering services on connection of power;
- incomes owing to property lease-out;
- incomes owing to performance of construction and installation works.

2.10. Recognition of expenses

The expenses have been included for accounting purposes in the amount, which has been calculated in money, and equal to the amount of payment in money.

The expenses of usual operations include:

- electricity transportation expenses;
- expenses owing to rendering services on connection of power;
- expenses owing to property lease-out;
- expenses owing to performance of construction and installation works.

2.11. Reserve capital

JSC “MOESK” forms the reserve capital intended to cover the losses, which though are not determined particularly, but may participate in economic circulation. The reserve capital is formed at the expense of the net profit of JSC “MOESK”.

2.12. Addition to the accounting policy

No additions and changes were made to the accounting policy of JSC “MOESK” in 2010.

3. Disclosure of essential indices of the reporting

3.1. Fixed assets (line 120 of the Balance Sheet)

The explanation of the fixed assets of JSC “MOESK” is presented as at 31 December 2010:

Value of fixed assets by kinds:

		RUR m		
#	Designation of the fixed assets group	Initial value	Deterioration	Residual value
		31 December 2010	at 31 December 2010	31 December 2010
1	Buildings	13,366	1,416	11,950
2	Structures and transfer devices	63,871	7,671	56,200
3	Machines and equipment	125,387	44,781	80,606
4	Transportation and other ones	967	273	694
5	Other fixed assets	213	87	126
	Total	203,804	54,228	149,576

The useful life of new power equipment is established from 15 to 20 years; the useful life of overhead lines is established from 10 to 15 years, the useful life of cable lines is established equal to 30.5 years.

3.2. Construction in process (line 130 of the Balance Sheet)

JSC “MOESK” holds new construction, reconstruction and modernization of facilities. The works in respect of construction in process in 2010 were performed for the amount of RUR 19,530 m, including in respect of technological connection facilities – RUR 12,637 m. Construction objects were put into operation for the amount of RUR 28,694 m, including the technological connection objects – RUR 16,076 m. The fixed asset facilities were purchased for the amount of 773 m.

Index structure:

#	Designation	RUR m	
		1 January 2010	31 December 2010
1	07 "Equipment to be installed"	3,086	3,473
3	08.03 "Construction of fixed asset facilities"	21,299	15,485
4	08.01 "Completed construction of fixed asset facilities"	0	0
5	08.09 "Design and exploration work" (D&EW)	532	634
6	08.11 "Reconstruction and modernization of FA facilities"	11,759	8,302
7	08.12 "Capital construction division"	2	
9	Total	36,678	27,894

3.3. Long-term and short-term financial investments

Long-term financial investments (line 140 of the Balance Sheet)

#	Designation	RUR m	
		1 January 2010	31 December 2010
1	Contribution to the charter capital of JSC "Energocenter"	760	807
2	Contribution to the charter capital of JSC "RETO"	662	662
3	Contribution to the charter capital of JSC "MKSM"	1,793	1,793
4	Contribution to the charter capital of JSC "MKER"	471	456
5	Purchase of the promissory note of LLC "Energofinance"	0	468
6	Total	3,686	4,186

The financial investments are reflected at the initial value; the current market value has not been determined in respect of them.

The promissory note was purchased from LLC "Energofinance" in 2010 with the term of repayment upon presentation, but no earlier than on 12 December 2014.

Short-term financial investments (line 250 of the Balance Sheet)

#	Designation	RUR m	
		1 January 2010	31 December 2010
1	Purchase of the promissory note of "Otkrytie"	2,969	0
2	Total	2,969	0

The promissory note purchased from LLC "Financial Corporation "Otkrytie"" was repaid on 28 June 2010.

Reserve for depreciation of financial investments of subsidiaries and dependent entities.

Due to a decrease in the net asset value of the subsidiary JSC "MKER" and dependent entity JSC "Energocenter", the Company created the reserve for devaluation of financial investments in the amount of RUR 255 m, including for devaluation of:

JSC "MKER" - in the amount of RUR 62 m,

JSC “Energocenter” - in the amount of RUR 193 m.

According to clause 38 of AR #19/02 “Accounting of Financial Investments”, the reserve for devaluation of financial investments is formed based on the amount of the difference between the accounting value and estimated value of the financial investments.

The Company has used the net asset value assessment method when determining the estimated value of the financial investments.

The reserve has been created at the expense of the financial performance of the Company in the structure of miscellaneous expenses.

The value of the specified financial investments is presented in the accounting reporting for 2010 at the accounting value net of the reserve for devaluation.

3.4. Inventories (line 210 of the Balance Sheet)

The inventories are assessed in the amount of the actual expenses on purchase; their amount as at the end of 2010 equals RUR 4,923.8 m or 8% of the current assets of JSC “MOESK”.

3.5. Structure of deferred expenses (line 216 of the Balance Sheet)

The balance of the deferred expenses as at 31 December 2010 equals RUR 2,920 m. The following expenses are the most essential in the structure of the deferred expenses:

The technological connection services accepted from JSC “MGEsK” in the process of reorganization in the form of accession to JSC “MOESK” in the amount of RUR 2,240 m;

3.6. Debts of buyers and customers (line 230 and 240 of the Balance Sheet)

Explanation of the accounts receivable under line 230

RUR m			
#	Designation	1 January 2010	31 December 2010
1	Buyers, customers,		107
2	Promissory notes receivable,		
3	Advances given out	29,159	32,928
4	Other debtors		
	Total	29,159	33,035

Line 230 of the balance sheet shows other accounts receivable, which consist of the advance payments paid to the leasing companies in the amount of RUR 9,400 m of advance payments, paid to the participants of the “One-Stop Center”, including the State Unitary Enterprise “Moscollector” in the amount of RUR 4,628 m, JSC “Mosenergo” – RUR 679 m, JSC “Energocomplex” - in the amount of RUR 12,696 m, JSC “OEK” - in the amount of RUR 5,525 m.

Explanation of the accounts receivable under line 240

RUR m			
#	Designation	1 January 2010	31 December 2010
1	Buyers, customers,	6,573	9,245
2	Promissory notes receivable,	0	0

3	Advances given out,	5,011	2,022
4	Other debtors	21,453	12,394
	Total	33,037	23,661

Line 240 of the balance sheet shows payment of the value added tax on the advance payments received from technological connection to the budget in the amount of RUR 8,495 m at 31 December 2010 in the structure of other accounts receivable. Placement of the currency within the framework of the swap agreement in the amount of RUR 11,060 m, which was repaid on 16 April 2010, is shown as at 1 January 2010.

3.7. Loans and credits

The Company raised RUR 33,943,570 thous. in 2010 in order to refinance the current debts and supplement the current assets, and to finance the investment activity, including:

- on non-revolving credit lines to refinance debts – RUR 23,123,000 thous.
- on revolving credit lines to finance the Company investment activity - RUR 5,053,891 thous., they include the amount of RUR 2,662,778 thous., which was repaid in the reporting period.
- on revolving credit lines to supplement the current assets - RUR 5,766,679 thous., they include the amount of RUR 5,021,679 thous., which was repaid in the reporting period.

Within the year 2010, no promissory notes were issued and placed; the obligations in respect of the presented promissory notes of the Company were repaid in the amount of RUR 6,067,567 thous., in respect of the credits – in the amount of RUR 36,688,920 thous.

The amount of the repaid debts per the credits includes repayment of debts per the revolving credit lines, and the amount of repayment under the credit agreement with Barclays Bank PLC in rubles at the rate of US dollar as at the date of payment.

Enclosure #1 shows the summary information on the borrowed funds of JSC “MOESK”.

3.8. Other long-term liabilities (line 520 of the Balance Sheet)

As at 31 December 2010, the long-term liabilities of JSC “MOESK” were RUR 10,672 m. This amount consists of the advance payments received under the agreements of technological connection of power.

3.9. Short-term accounts payable (line 620 of the Balance Sheet)

Short-term accounts payable	RUR m	
	1 January 2010	31 December 2010
Suppliers and contractors: (item 621 of the balance sheet)	10,997	12,270
Debts in respect of labor payment (item 622 of the balance sheet)	2	9
Debts to extra budgetary funds (item 623 of the balance sheet)	0	3.5
Debts to the budget (item 624 of the balance sheet)	262	602
Debts in respect of the advance payments received under TC agreements (item 625 of the balance sheet)	38,924	47,979
Other creditors, in total (item 628 of the balance sheet)	14,097	1,759
Total	64,282	62,623

The volume of the delayed liabilities under the technological connection agreements as at 31 December 2010 equals RUR 11,143 m.

3.10. Charter capital of the Company (line 420 of the Balance Sheet)

The charter capital of JSC “MOESK” equals RUR 24,353,545 787 as at 31 December 2010. It consists of:

Designation of shares	Total number (pcs.)	Par value (RUR)	Par value of the shares owned by the Company
Ordinary shares	48,707,091,574	0.5	24,353,545,787
Preferred shares	-	-	-
Total	48,707,091,574		24,353,545,787

- 50.9% of the charter capital belongs to IDGC Holding, OJSC
- 45.0% - to other legal entities
- 4.1% - to individuals.

3.11. The additional capital (line 420 of the Balance Sheet)

The additional capital of JSC “MOESK” at 1 January 2010 has been RUR 63,720,537 thous, at 31 December 2010 it equals RUR 63,670,978 thous. The reduction in the additional capital occurred due to writing-off of the share of the additional assessment, when the fixed production assets having the residual value were written off.

The additional capital is generated due to the following sources:

- reassessment of the fixed production assets;
- pooling of own capital of reorganized entities in the process of carrying out of the reorganization in the form of accession.

3.12. State assistance

JSC “MOESK” has not received any subvention from the federal budget.

3.13. Assets and liabilities in foreign currencies

No assets and liabilities in the foreign currency are available as at 31 December 2010.

3.14. Incomes and expenses per usual kinds of activities

The table shows the data about the incomes and expenses per the usual kinds of activities for the years 2009 and 2010.

Incomes	2009	2010	Expenses	RUR m	
				2009	2010
Incomes owing to electricity transportation	74,904	91,239	Expenses owing to electricity transportation	63,178	80,488

Incomes owing to rendering of power connection services	9,469	18,945	Expenses owing to rendering of power connection services	5,587	4,466
Incomes owing to property lease-out	68	40	Expenses owing to property lease-out	37	8
Incomes owing to performance of construction and installation works	374	63	Expenses owing to performance of construction and installation works	374	63
Incomes of technological maintenance of power facilities	245	284	Expenses of technological maintenance of power facilities	62	188
Other	173	513	Other	144	27
Total	85,233	110,634	Total	69,382	85,240

3.15. Other incomes and expenses

Other incomes and expenses consist of the following items:

	RUR m	
	2009	2010
Other income	11,152	5,581
including:		
Sale of inventories	32	17
Sale of fixed assets	11	0
Sale of other assets	4,194	3,484
Default interest, fines, penalties	17	65
Income received as compensation of losses	88	144
Exchange rate differences	5,815	625
Others	995	1,246
Other expenses	13,584	7,085
including:		
Sale of inventories	23	12
Sale of other assets	4,196	3,480
Sale of fixed assets	1	0
Asset retirement	376	142
Bank services	98	47
Exchange rate differences	5,820	618
Services of BTI (Bureau of Technical Inventory)	104	47
Bonuses, financial support	475	540
Social activities	49	55
Charity expenses	2	8
Swap expenses	816	371
Consultation, information, legal services	790	537
Expenses related with extraordinary events	113	120
Creation of reserve for devaluation of financial investments	286	-32
Creation of reserve for doubtful debts	0	341
Others	435	799

3.16. Accounting of calculations on profit tax (AR #18/02)

The balance sheet shows DTL (deferred tax liabilities) and DTA (deferred tax assets) in detail.

	RUR m
Contingent expense (contingent income) per the profit tax	4,299
Constant and temporary differences, which arose in the reporting period and entailed correction of the contingent expense (contingent income) per the profit tax for the purpose of definition of the current profit tax, including:	1,469
Depreciation of fixed assets (reassessment)	1,126
Extraordinary expenses (bonuses, financial support, etc.)	152
Interest per loans and credits (above the permitted standard)	7
Consultation and information services	110
Losses of the last years	12
Other	62
Constant and temporary differences, which arose in the last reporting periods, but entailed correction of the contingent expense (contingent income) per the profit tax of the reporting period	4
Amounts of DTL and DTA written off in connection with retirement of the assets or a kind of liability, including:	-710
Depreciation of fixed assets	128
Bonus depreciation	-1,040
Deferred incomes (gratuitously received FA)	166
Other expenses	36

3.17. Earning per share

	2009	2010
Net profit for the reporting year, RUR m	6,319	15,722
Average weighted number of placed ordinary shares within the reporting year, in millions of shares	48,707	48,707
Basic earning per share, RUR	0.13	0.32

4. Terminated activities

JSC "MOESK" did not terminate activities in 2010.

5. Related parties:

The list of the related parties of JSC “MOESK” as at 31 December 2010 includes:

- Members of the Board of Directors of JSC “MOESK” (section 1 of the Explanatory Note),
- Members of the Management Board of JSC “MOESK” (section 1 of the Explanatory Note),
- General Director of JSC “MOESK”,
- IDGC Holding, OJSC (holding 50.9% of the ordinary shares of JSC “MOESK”);
- JSC “Energocenter” (50% of its shares belong to JSC “MOESK”);
- JSC “Moskabel’set’montazh” (100% of its shares belong to JSC “MOESK”);
- JSC “Electrical Equipment Maintenance Plant” (100% of its shares belong to JSC “MOESK”);
- JSC “Moskabelenergoremont” (100% of its shares belong to JSC “MOESK”);
- The persons included in the group of persons of IDGC Holding, OJSC.

The list of affiliates of the Company is placed on the page in the Internet at [http://www.moesk.ru/invest_news/Informatsiya%20podlezhashchaya%20raskrytiyu/Spiski affilirovannykh_lits/index.php](http://www.moesk.ru/invest_news/Informatsiya%20podlezhashchaya%20raskrytiyu/Spiski%20affilirovannykh_lits/index.php)

In the considered period the Company performed economic operations:

- with dependent entities and subsidiaries – related with industrial activity (purchase of goods, works, services) for the amount of RUR 1,453 m;
- with the supervising organization – related with provision of the Company with the services of arrangement of functioning and development of UES for the amount of RUR 506 m;

Remuneration to the members of the Board of Directors and members of the Committees of the Company

In 2010, the total amount of remuneration of the Board of Directors credited to the accounts of the members of the Board of Directors and members of the Committees of the Company:

- for participation in the meetings of the Board of Directors equaled RUR 8,085,170.
- for participation in the Committees of the Board of Directors equaled RUR 1,604,698.
- for the Company net profit value based on the information of the annual accounting reports for 2009 approved by the Company general meeting of shareholders equaled RUR 15,699,834.
- for market capitalization equaled RUR 1,754,512.

As from 1 September 2008, the amount and order of payment of compensation and remuneration to the members of the Board of Directors is determined by the Regulation on Payment of Remuneration and Compensation to the Members of the Board of Directors approved by the Company annual general meeting of shareholders on 28 May 2008.

Remuneration to the members of the Company Internal Audit Commission

In 2010, the total amount of remuneration credited to the accounts of the members of the Company Internal Audit Commission for carrying out checks of financial and economic activity of the Company based on the results of check of the first half of the year 2009 and the year 2009 was RUR 1,077,037.

Remuneration to top managers

The crediting to the accounts of the management personnel of the company for 2010 equaled RUR 196,405,944.

6. Information per segments

Primary information - operational segments

The operational segment of the company represents the kinds of activity. In 2010, JSC “MOESK” rendered services on electricity transportation, rendered services on connection of consumers and other services. This information is disclosed in section 3.14 of the explanatory note.

Secondary information - geographical segments

JSC “MOESK” carries out its authorized activity in the field of rendering electricity transportation services and connection of consumers in Moscow and the Moscow Area. The table shows the financial and economic indicators for 2010 segment-by-segment:

Designation of indicator	TOTAL – year 2010	RUR thous. Including	
		MOSCOW	Moscow Area
Earnings owing to sale of goods, works, services	110,634,049	61,732,981	48,901,068
Including earnings owing to electricity transportation	91,238,959	49,075,787	42,163,172
Including Earnings owing to technological connection	18,944,958	12,285,208	6,659,750
Including Earnings owing to other goods, works, services	450,132	371,986	78,146
Cost	85,240,359	43,633,183	41,607,176
Including owing to electricity transportation	80,487,524	39,632,313	40,855,211
Including owing to technological connection	4,466,762	3,756,700	710,062
Including – other	286,073	244,170	41,903
Interest receivable	200,787	200,787	
Interest payable	2,966,074	2,334,800	361,274
Other incomes	5,580,774	3,330,367	2,250,407
Other expenses	7,085,520	3,691,149	3,394,371

Profit tax	5,772,132	4,166,381	1,605,751
Net profit	15,621,525	11,438,622	4,182,903

The initial value of the fixed assets of JSC “MOESK” for the city of Moscow as at 1 January 2011 equals RUR 124,518,036 thous., for the Moscow Area – RUR 79,285,471 thous..

7. Events after the reporting date

Cancellation of the effect of the of electric grid property lease and sublease agreement with JSC “United Energy Company”

JSC “MOESK” received a notice in writing from JSC “United Energy Company” about cancellation of the energy property lease and sublease agreement since 1 May 2011. As at 1 April 2011, JSC “MOESK” has performed permanent improvements at 101 facilities of fixed assets for the amount of RUR 157 m. It is impossible to assess the estimated influence of this fact on the industrial and economic activities of the company as at the moment of drawing up of the reporting.

Payments to the company employees

The bonus in the amount of RUR 312,603.2 thous. based on the results of 2010 is planned to be paid in the 1st quarter of 2011 owing to compliance with all indicators stipulated in the Regulations on Payment of Bonuses to the Company Employees; accordingly, making contributions to the extra budgetary funds is planned to equal RUR 106,285 thous.

Dividends

The amount of the annual dividend based on the results of 2010 per one share of JSC “Moscow United Electric Grid Company” will be approved by the Company General Meeting of Shareholders.

8. Contingencies

As at 31 December 2009, the company has held assessment of the contingencies. The analysis determined that the Company has the following contingencies as at the reporting date:

The total amount of the claims under legal proceedings in process as at 31 December 2010, in which the Company acts as the respondent, equals

RUR 2,295 m, including the amount of additionally presented obligations – RUR 640 m, including:

1. under the legal claims related with performance of technological connection agreements – RUR 89 m;
2. under the legal claims related with performance of electricity transportation agreements – RUR 259 m;
3. under the legal claims related with performance of the construction works agreements – RUR 6 m;

4. under other legal claims – RUR 287 m.

The accounting reports of the Company do not provide for the reserves for performance of additional obligations, which may occur as a result of the court judgment, which is not in favor of the Company.

9. Information according to Federal Law #261 dated 23 November 2009 “On energy saving and energy efficiency improvement, and about amending particular acts of the Russian Federation”

The Company used the following power resources as at 31 December 2009 in the process of implementation of economic activities:

Designation	Unit of measurement	Number	Amount, RUR thous.
Electrical power: total	thous. kW/h	9,363,701	13,775,231
including:			
for household needs to compensate the losses in the grids	thous. kW/h	49,207	146,102
		9,314,494	13,629,129
Thermal power	GCal	65,181	65,638

10. Values accounted in off-balance accounts

1) JSC “MOESK” leases out the fixed assets, the structure of which includes vehicles and energy equipment:

a) The value of the fixed assets, which were leased out, equals RUR 38,051 m., including

Contracting party	RUR m
- “United Energy Company”	26,735

See clause 7 Events after the reporting date in respect of this property.

- “Mosenergo”	600
- Moscow Property Department	164
- others	10,552

“Others” reflect the value of the leased out land in the amount of RUR 9,901 m.

b) The value of the fixed assets in leasing – RUR 38,661 m, including

Contracting party	RUR m
- “Business-alliance”	26,850
- “Gazprombank leasing”	8,056
- “RB leasing”	3,755

2) JSC “MOESK” received the guarantee obligation for the third parties (employees of JSC “MOESK”) under the separation balance sheet from JSC “Mosenergo”, which equals RUR 2.9 m as at 31 December 2010. The management of JSC “MOESK” does not expect occurrence of essential obligations in respect of these guarantees.

3) The Company has the land plots of 503.6 hectares in lease, which are located under the 3,452 pieces of electric grid facilities.

11. Analysis of financial indices

The financial condition of the Company as regards the indices of liquidity, financial stability, profitability, business activity is characterized as follows:

Index	Norms		
		31 December 2009	31 December 2010
Absolute liquidity ratio	0.15 - 0.5	0.1	0.02
Quick ratio	0.3 - 0.7	0.5	0.4
Current liquidity ratio	≥ 2	0.5	0.4
Equity-assets ratio	≥ 0.5	0.5	0.6
Product (sales) profitability %	> 0	18.60	22.95
Return on equity %	> 0	5.17	11.32
Return on assets %	> 0	2.52	6.37
Dynamics of AR (accounts receivable) (increment rate)	< 0	0.03	-0.09
Dynamics of AP (accounts payable) (increment rate)	< 0	0.20	-0.03
AR/AP relation	> 1	0.97	0.91

Assessment of the Company liquidity:

The absolute liquidity ratio characterizes the ability of the company to repay short-term liabilities at the expense of the money resources and short-term financial investments and has been 0.02 as at 31 December 2010.

The quick ratio* reflects the relation of the most liquid part of the current assets to short-term liabilities and has been 0.4 as at 31 December 2010.

The current liquidity ratio* shows sufficiency of the Company funds, which may be used for repayment of short-term liabilities; the value of this index as at 31 December 2010 has been 0.4.

Assessment of the Company financial stability:

The equity-assets ratio* characterizes the share of the property of the enterprise owners in the total amount of assets. The higher is the value of the index, the better is the financial stability of the Company and the lower is its dependence on foreign credits. The value of this index as at 31 December 2010 is 0.56.

Assessment of the Company profitability:

The profitability of sales* was achieved in the amount of 22.95% in 2010, i.e. the gross profit in the amount of RUR 22.95 was received per RUR 1 of the earnings.

The return on equity* characterizes the efficiency of use of the capital and has been 11.32% based on the results of the year 2010.

The return on assets* characterizes the efficiency of use of the assets of the company in order to generate profit and has been 6.37% based on the results of the year 2010.

As a whole, the Company activity is profitable based on the results of the year 2010.

Assessment of the business activity:

- The index of the accounts receivable dynamics has the negative value (-0.09), which is the positive aspect and shows reduction in the debts to the Company as from the beginning of the year 2010.

- The index of the accounts payable dynamics has made (-0.03), which shows reduction in short-term accounts payable.

The relation of the accounts receivable and accounts payable as at 31 December 2010 has equaled 0.91.

If we exclude from the calculations the long-term accounts payable per the advance payments received for technological connection and transferred within the framework of “One Stop Center” to the adjacent grid entities in the amount of RUR 23,528 m, the analysis of the financial indices as at 31 December 2010 will be as follows:

The financial condition of the Company based on the indices of liquidity, financial stability, profitability, business activity is characterized as follows:

Index	Norms		
		31 December 2009	31 December 2010
Absolute liquidity ratio	0.15 - 0.5	0.1	0.1
Quick ratio	0.3 - 0.7	0.8	1.3
Current liquidity ratio	≥ 2	0.9	1.5
Equity-assets ratio	≥ 0.5	0.5	0.6
Product (sales) profitability %	> 0	18.60	22.95
Return on equity %	> 0	5.17	11.32
Return on assets %	> 0	2.52	6.37
Dynamics of AR (accounts receivable) (increment rate)	< 0	0.03	-0.09
Dynamics of AP (accounts payable) (increment rate)	< 0	0.20	-0.03
AR/AP relation	> 1	0.97	0.91

Assessment of the Company liquidity:

The absolute liquidity ratio characterizes the ability of the company to repay short-term liabilities at the expense of the money resources and short-term financial investments and has been 0.1 as at 31 December 2010.

The quick ratio* reflects the relation of the most liquid part of the current assets to short-term liabilities and has been 1.3 as at 31 December 2010.

The current liquidity ratio* shows sufficiency of the Company funds, which may be used for repayment of short-term liabilities; the value of this index as at 31 December 2010 has been 1.5.

Assessment of the Company financial stability:

The equity-assets ratio* characterizes the share of the property of the enterprise owners in the total amount of assets. The higher is the value of the index, the better is the financial stability of the Company and the lower is its dependence on foreign credits. The value of this index as at 31 December 2010 is 0.6.

Assessment of the Company profitability:

The profitability of sales* was achieved in the amount of 22.95% in 2010, i.e. the gross profit in the amount of RUR 22.95 was received per RUR 1 of the earnings.

The return on equity* characterizes the efficiency of use of the capital and has been 11.32% based on the results of the year 2010.

The return on assets* characterizes the efficiency of use of the assets of the company in order to generate profit and has been 6.37% based on the results of the year 2010.

As a whole, the Company activity is profitable based on the results of the year 2010.

The indices of the business activity assessment are not changed if the indices of the accounts receivable and accounts payable are changed.

*The methods of calculation according to Order #06-117pz-n of the Federal Financial Markets Service dated 10 October 2006 "On approval of the Regulations on Disclosure of Information by the Issuers of Equity Securities" are used when calculating the financial indices of quick, current liquidity, equity-assets ratio, profitability indices.

General Director of JSC "MOESK" _____ A.P. Konovalov

Chief Accountant of JSC "MOESK" _____ L.A. Sklyarova