

# City of Moscow

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## Debt Issuance Strategy of the City of Moscow in Internal and External Capital Markets

**Presentation to Investors**

**8th Annual Russian Economic Forum**

**April 2005**



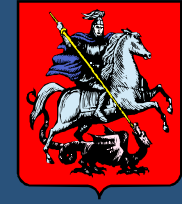
# 1. Moscow's Economy

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# Moscow – Capital of Russia

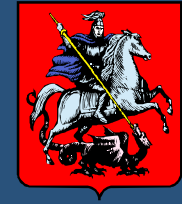
## Investment Highlights



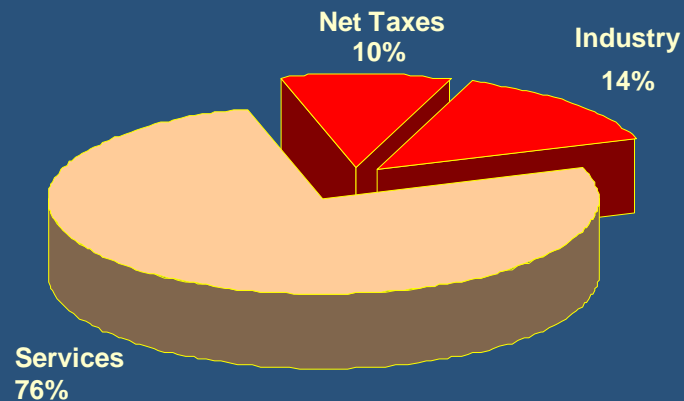
- Moscow is the economic and political centre of Russia
- Population - almost 10.4 million (7% of Russia)
- In 2001-2004 Moscow's economy accounted for Russia's
  - 38% FDI
  - 18% of GDP and 1/4 budget revenues
- 50% financial institutions and more than 80% bank assets
- Growing service oriented economy
- Highest growth rates in Russia
- Low and manageable level of indebtedness
- Effective City Debt Management
- Investment Grade Ratings: Baa3 / BBB- / BBB-



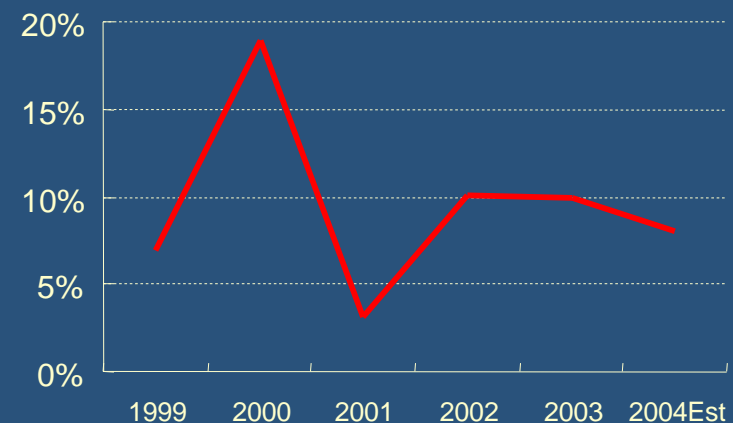
# Services is Dominating Sector of the City's Economy



2004E Gross City Product



Gross City Product (GCP) Growth

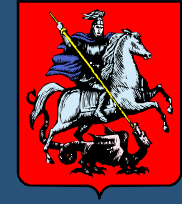


- Total 2004(E) GCP= RUB 2, 926.7 billion (US\$ 105.5 bln. equivalent)
- 1999-2004(E) GCP Real Growth = 57%
- 1999-2004(E) GCP Real CAGR = 9.5%

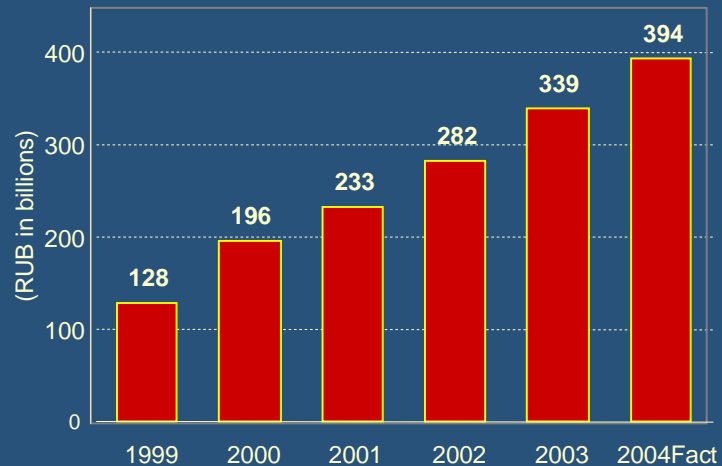
Source: City of Moscow.  
N.B. CAGR stands for cumulative average annual growth rate.



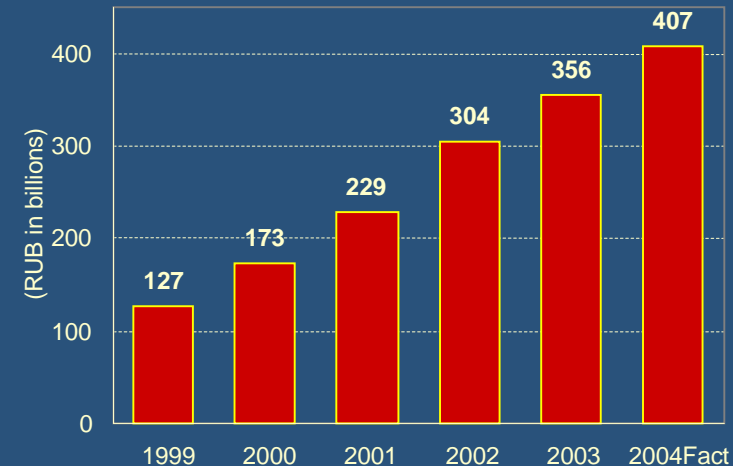
# Revenue Growth is Driven by Strong Diversified Economy



Revenue



Expenditures



- 2004 Total City Budget Revenue of almost US\$ 14.2 billion equivalent
- Non-tax revenues constitute almost 14% of City's revenues
  - Dividends, rents, payments and fees

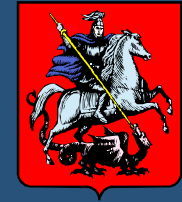


## 2. Debt Management

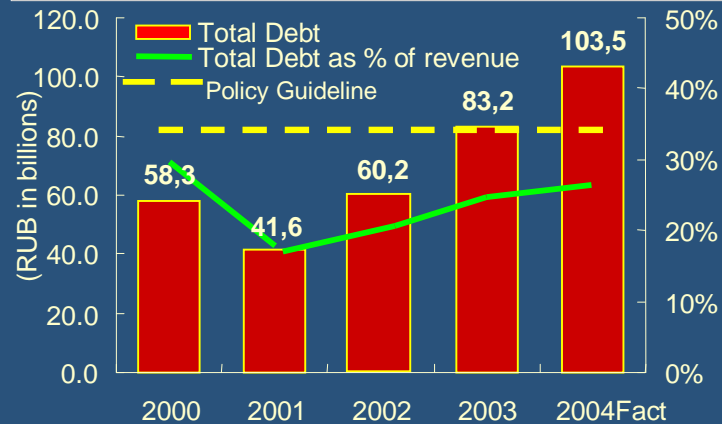
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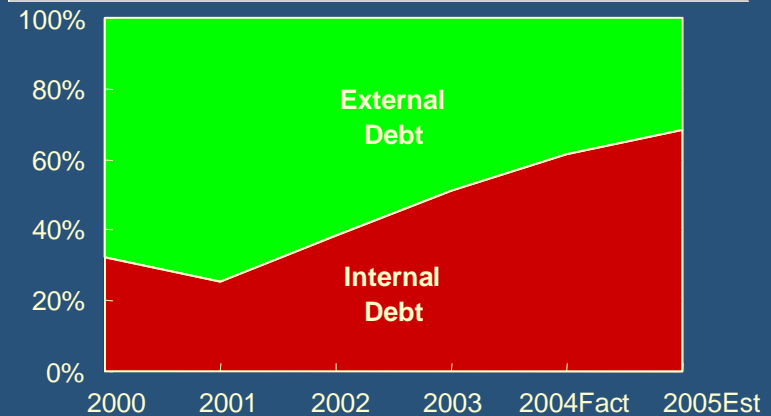
# Moscow's Commitment to Prudent Debt Levels



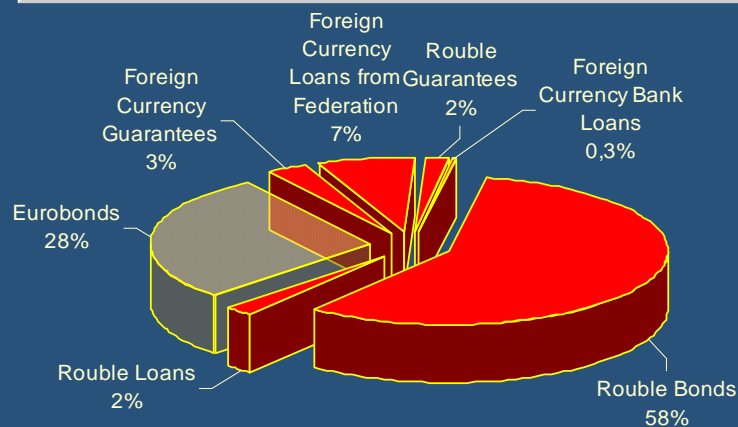
### City of Moscow Debt Level



### City of Moscow Debt Composition



### Structure of Overall Debt



### Debt Maturity Profile

	(US\$ equivalent in millions)		
	Balance as of Jan 1st	Maturity during	
		2005-2007	2008-2014
Rouble Bonds	2,150.01	1,568.98	581.02
Rouble Loans	72.08	72.08	
Eurobonds	1,055.50	545.48	510.02
Foreign Currency Guarantees	114.08	66.32	47.76
Foreign Currency Loans from Federation	264.51	105.71	158.80
Rouble Guarantees	63.43		63.43
Foreign Currency Bank Loans	9.59	9.59	
<b>Total Debt and Guarantees</b>	<b>3,729.19</b>	<b>2,368.15</b>	<b>1,361.04</b>

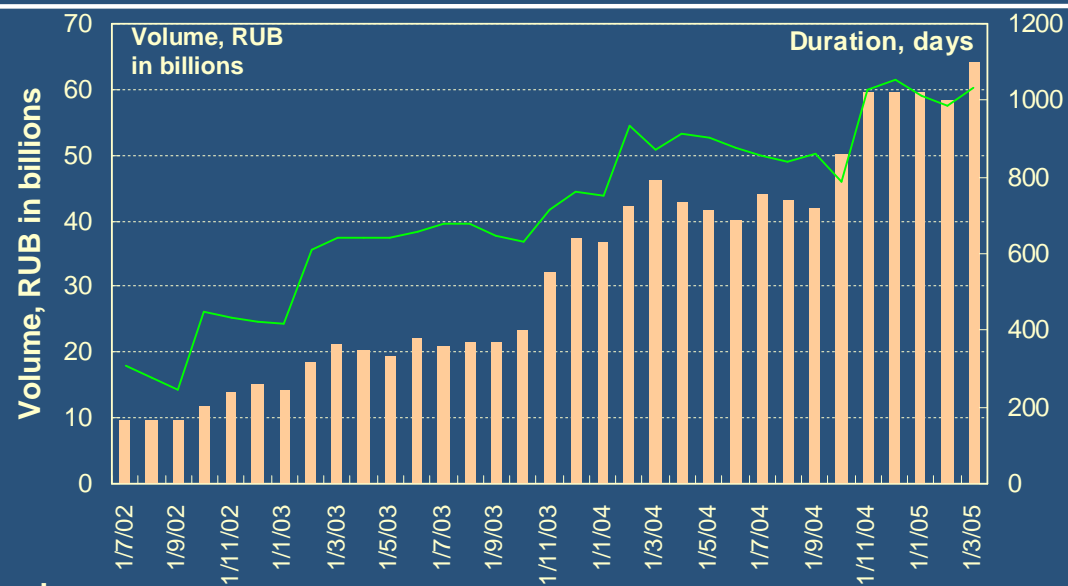
Source: City of Moscow.

N.B. Assumes US\$/RUB and EUR/RUB exchange rates of 27.7487 and 37.8104, respectively.

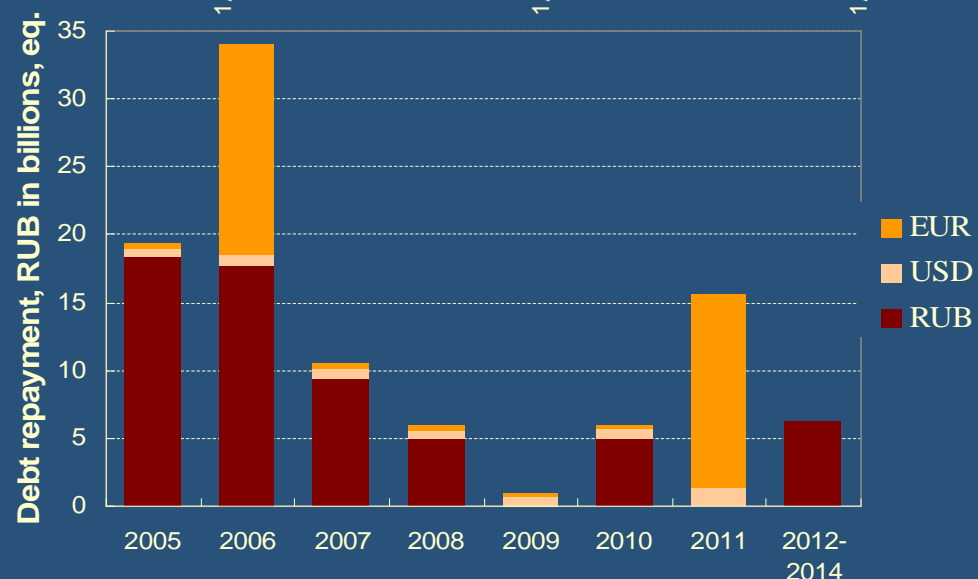


# Debt Profile & Duration

Debt in circulation and debt duration



Direct debt repayment as of 01.01.2005





# Internal Borrowings

## City of Moscow bond market, as of 1.01.2005

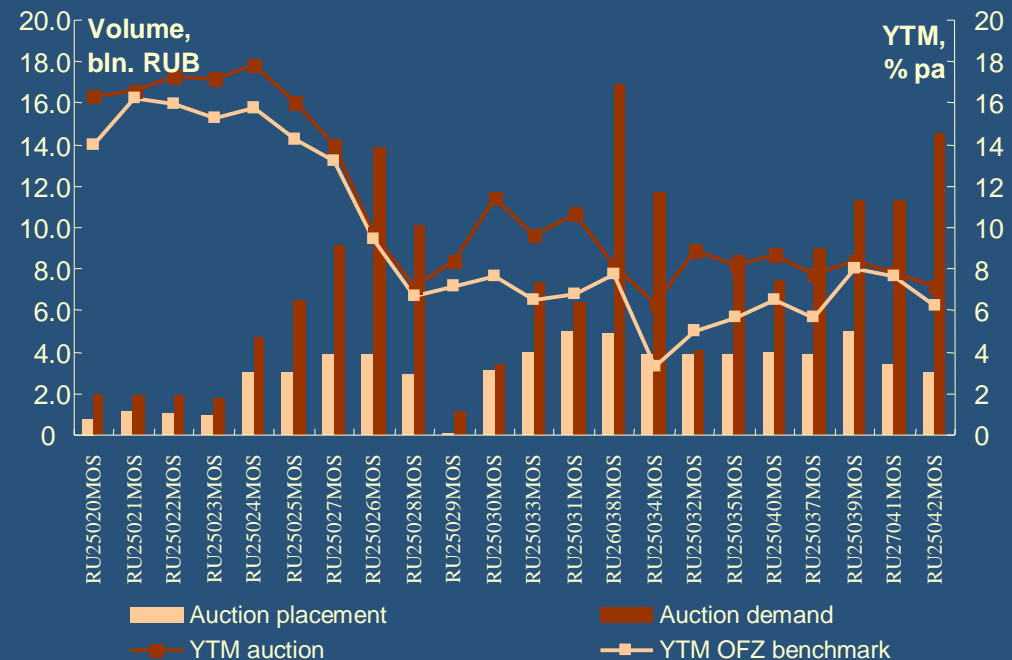
Total volume, RUB bln	<b>59.7</b>
Number of issues	<b>15</b>
Duration, years	
maximum	<b>9.5</b>
average	<b>2.8</b>

## Loans – instruments of debt diversification

Amount, RUB bln	<b>2</b>
Maturity, years	<b>2</b>
Interest rate, % pa	<b>7.5</b>

Flexibility in setting loans' maturities is provided through use of credit line

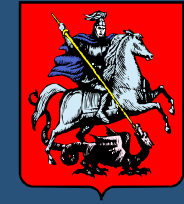
## Auctions' Results



	RUB in billions
Auction placements in 2004	<b>29.5</b>
Placement in the secondary market in 2004	<b>2.9</b>
Number of auctions in 2004	<b>7</b>
Yield to maturity	<b>% pa</b>
minimum	6.29
maximum	8.88
average	8.08



# City of Moscow RUB Bond market

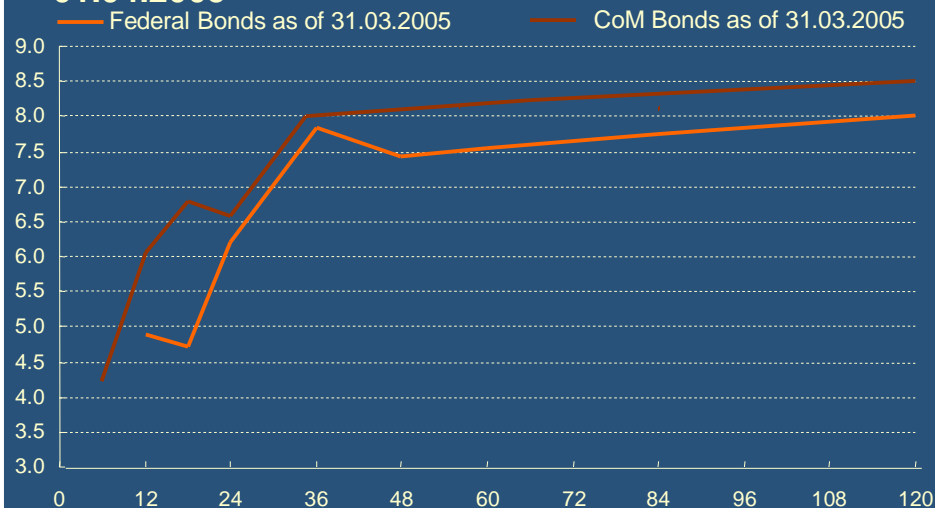


## Total bonds in circulation\*

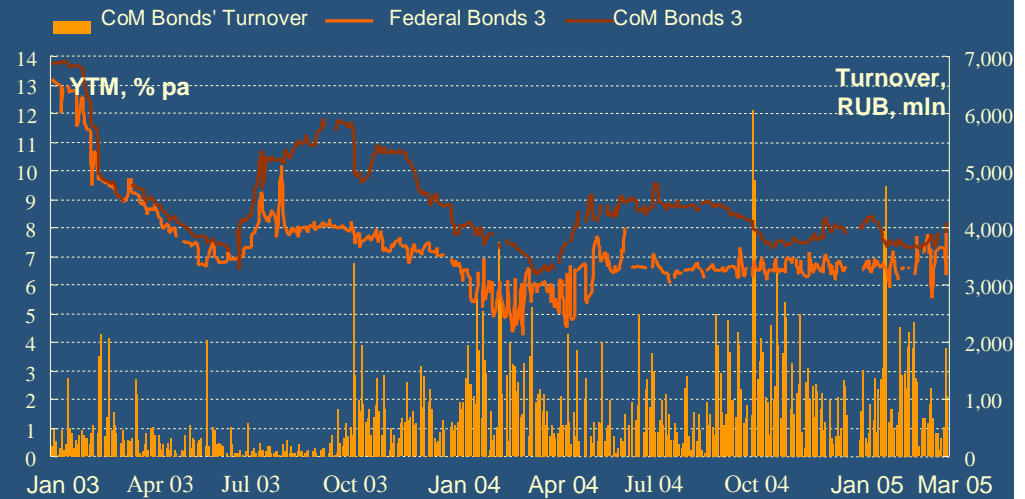
Type of bonds	RUB, billions
<b>1.01.2005</b>	
Federal bonds	566.4
Corporate bonds	245.0
Municipal bonds	122.4
including City of Moscow bonds	59.7
<b>TOTAL</b>	<b>933.8</b>

\* Data from public sources

## City of Moscow Vs Russian Federation Yield curve as of 01.04.2005



## Yield Index and City of Moscow bonds' turnover



## Monthly average bonds' turnover in 2004

Type of bonds	RUB, billions
Federal bonds	39.8
Corporate bonds	34.9
Municipal bonds	30.5
including City of Moscow bonds	20.0
<b>TOTAL</b>	<b>105.2</b>

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# External Borrowings in 2004

12 October 2004 Moscow State Debt Committee raised a loan which was financed through issuance of Loan Participation Notes by Dresdner AG

## Summary of Notes

Nominal Issue Size	€374,000,000
Maturity Date	12.10.2011
Denomination	€50,000
Interest	Annually
Coupon Rate	6.45%
Issue Price of Notes	100%
Listing	Luxembourg Stock Exchange

## Lead Managers and Senior Co-lead Managers

Lead Managers	Citigroup Dresdner Kleinwort Wasserstein UBS Investment Bank
Senior Co-lead Managers	ABN AMRO Bank Austria Creditanstalt

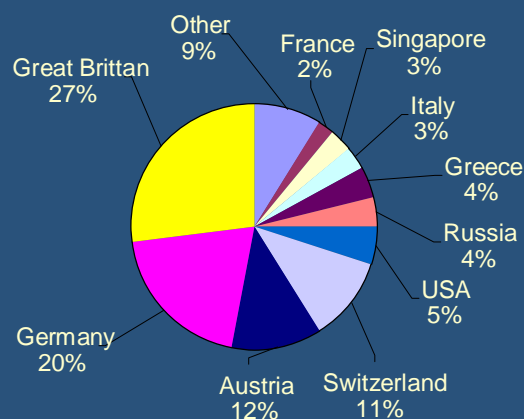




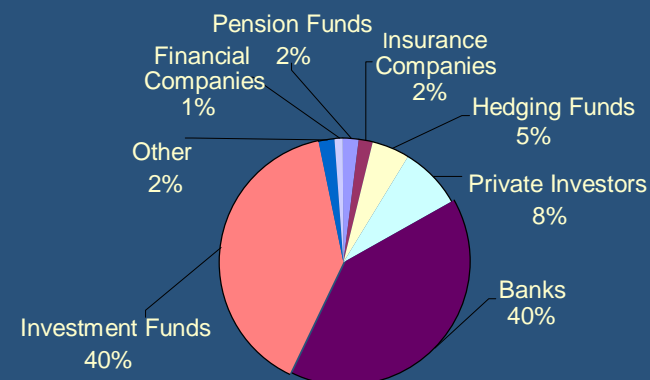
# External Borrowings in 2004

- Demand for the bonds was 3 times the size of the offering
- The lowest coupon rate in the history of placement of Russian Federal and Sub-federal bonds in the international capital markets (as of Q3 2004)
- The bonds were purchased by 156 financial institutions from 23 countries
- High quality investors, including pension funds and insurance companies normally dealing with “investment class” securities were among the buyers of the Eurobond in 2004

Distribution by countries



Distribution by investors





## New External Borrowings in 2006

In 2006 Moscow is planning to raise a new loan through issuance of Loan Participation Notes

<b>Nominal Issue Size</b>	<b>up to €410,000,000</b>
<b>Maturity</b>	<b>10-15 years</b>
<b>Denomination</b>	<b>€50,000</b>
<b>Interest</b>	<b>Annually</b>
<b>Coupon Rate</b>	<b>to be determined</b>
<b>Issue Price of Notes</b>	<b>100%</b>
<b>Listing</b>	<b>Luxembourg Stock Exchange</b>





# Budget & Debt Indicators

RUB in billions

	Law on Budget Execution No55 of 08.09.2004	Statement on Budget Execution as of 01.01.2005	Law on Budget for 2005 No85 of 15.12.2004	Forecast	
	2003	2004	2005	2006	2007
<b>Total Budget Revenues</b>	<b>338.5</b>	<b>393.6</b>	<b>396.3</b>	<b>423.0</b>	<b>466.0</b>
<b>Total Budget Expenditure</b>	<b>355.7</b>	<b>407.4</b>	<b>428.1</b>	<b>441.5</b>	<b>486.5</b>
<b>Deficit(-)/Surplus(+)</b>	<b>-17.2</b>	<b>-13.8</b>	<b>-31.7</b>	<b>-18.5</b>	<b>-20.5</b>
<b>Operating balance</b>	<b>130.0</b>	<b>137.7</b>	<b>101.1</b>	<b>103.9</b>	<b>124.1</b>
<i>Debt Parameters</i>					
<b>Total Debt at the end of the year</b>	<b>83.2</b>	<b>103.5</b>	<b>129.8</b>	<b>139.2</b>	<b>153.3</b>
<b>Debt repayment</b>	<b>17.3</b>	<b>28.9</b>	<b>19.5</b>	<b>33.7</b>	<b>24.5</b>
<b>Interest paid</b>	<b>6.6</b>	<b>7.5</b>	<b>12.3</b>	<b>15.2</b>	<b>16.4</b>
<b>Total Debt as a percentage of total budget revenues</b>	<b>24.6%</b>	<b>26.3%</b>	<b>32.8%</b>	<b>32.9%</b>	<b>32.9%</b>
<b>Interest paid as a percentage of total budget expenditure</b>	<b>1.8%</b>	<b>1.8%</b>	<b>2.9%</b>	<b>3.4%</b>	<b>3.4%</b>
<b>Debt repayment as a percentage of total budget revenues</b>	<b>5.1%</b>	<b>7.3%</b>	<b>4.9%</b>	<b>8.0%</b>	<b>5.2%</b>
<b>Deficit as a percentage of total budget expenditure</b>	<b>4.8%</b>	<b>3.4%</b>	<b>7.4%</b>	<b>4.2%</b>	<b>4.2%</b>
<b>Debt repayment as a percentage of operating balance</b>	<b>13.3%</b>	<b>21.0%</b>	<b>19.3%</b>	<b>32.5%</b>	<b>19.7%</b>

