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“APPROVE”

Director General

CJSC “Expert RA”

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(signed)

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REPORT
on assignment of the management quality rating to
JSC “MOESK”

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1. Rating conclusion

In accordance with the resolution of the rating committee (**minutes #3812 dd. 20.12.2013**), which was taken on the basis of the management quality analysis held, the Rating Agency "Expert RA" assigned the following rating to JSC "MOESK":

8 "Best Practice of Corporate Governance"

The Company complies with the requirements of the Russian legislation in the field of corporate governance, meets the most part of the requirements of the Russian Corporate Conduct Code and certain recommendations of the best international practice of corporate governance. Risks of losses of owners related with management quality are insignificant.

1.1. Key factors affecting the credit rating

The following key factors that determined the level of the assigned management quality rating were identified during the rating-related evaluation:

Negative factors

Not identified.

Constraining factors

- Insufficient number of compresence meetings of the Board of Directors;
- Lack of formalized minimum net profit share assigned for payment of dividends on shares.

Positive factors

- High level of observance of shareholder rights;
- High level of organization of the Company executive bodies activities;
- High level of cooperation between the Company management bodies;
- High level of organization of the system of control over the Company financial and economic activity;
- High level of general discipline for information disclosure;
- High level of financial information disclosure;
- High level of organization of the corporate social responsibility;
- High level of informational contents of the corporate section on the Internet website.

1.2. Stress factors

Stress factors

Stress factors not identified.

1.3. Rating conditions

Rating conditions are absent.

2. Initial data

The following data were used within the framework of the analysis:

- Questionnaire of JSC “MOESK” under the Agency’s form;
- Charter of JSC “MOESK”;
- List of affiliated persons of JSC “MOESK” as at 30.09.2013;
- Annual reports of JSC “MOESK” for 2010-2012;
- Quarterly report of JSC “MOESK” for the 4th quarter of 2012, 1st quarter of 2013 and 3rd quarter of 2013;
- Auditor’s report on the accounting statements for the year 2012;
- Opinion of the Auditing Commission for the year 2012;
- Regulation on the Dividend Policy of JSC “MOESK”;
- Regulation on the procedure for the preparation and holding of the General Shareholders’ Meeting of JSC “MOESK”;
- Regulation on the procedure for convening and holding of the meetings of the Board of Directors of JSC “MOESK”;
- Regulation on the Staff and Remunerations Committee of JSC “MOESK”;
- Regulation on the Audit Committee of the Board of Directors of JSC “MOESK”;
- Regulation on the Reliability Committee of the Board of Directors of JSC “MOESK”;
- Regulation on the Strategy and Development Committee of the Board of Directors of JSC “MOESK”;
- Regulation on the Committee for the Grid Connection to the Electric Networks of the Board of Directors of JSC “MOESK”;
- Regulation on the Management Board of JSC “MOESK”;
- Regulation on the Auditing Commission of JSC “MOESK”;
- Regulation on Information Policy of JSC “MOESK”;
- Regulation on Insider Information of JSC “MOESK”;
- Corporate Governance Code of JSC “MOESK”;
- Corporate Conduct Code of JSC “MOESK”;
- Regulation on the Commission for Compliance with the Corporate Conduct and Settlement of Conflict of Interest of JSC “MOESK”;
- Information from the media and other public sources.

During the rating evaluation, the Agency obtained all the requested information on the activities of JSC “MOESK” in full.

3. Information on the Company

3.1. Company profile

Table 1. Information on the Company

Full name:	Joint Stock Company “Moscow United Electric Grid Company”
Company auditor:	CJSC “KPMG”
Management:	Director General – Sinyutin Petr Alexeyevich Chairman of the Board of Directors – Budargin Oleg Mikhailovich
Year of establishment (date of the state registration of the issuer):	01.04.2005
Company registrar:	CJSC “STATUS”
Owners:	JSC “Russian Grids” – 50.9% GPB (OJSC) – 9.77% CJSC “LEADER” T.M. – 22.76% JSC “OEK-Finans”- 5.05%
Structure of charter capital:	Breakdown of the charter capital: ordinary shares - 100%
Participation of the issuer in essential legal proceedings:	The issue participated in the legal proceedings as a respondent. The subject matters of the disputes were mainly non-fulfillment of the contract provisions, indebtedness recovery, penalty recovery, unreasonable gains, etc.

Source: “Expert RA” based on the data of JSC “MOESK”

The main activity of JSC “MOESK” is the provision of services of electricity transportation to consumers and grid connection to electric grids. The Company customers are individuals and legal entities on the territory of Moscow and the Moscow Area.

The Company accepts electricity into its grid from generating companies of the Unified National Electric Grid and from the grids located in the adjacent RF constituent entities, and transmits electricity to end consumers connected to the company grids, as well as to adjacent grids, wholesale customers – resellers, and territorial grid entities.

The business of JSC “MOESK” in the field of transportation of electricity to consumers pertains to the natural monopoly activity that will preserve the governmental support and control.

The average number of employees of JSC “MOESK” for the year 2012 amounted to 15,215 people.

The Company’s charter capital is equal to RUR 24,353,545,787 and is divided into 48,707,091,574 ordinary shares. Each share has a par value of RUR 0.5.

Table 2. Composition of the Board of Directors (at 30.09.2013)

Full names of directors	Information on education	Professional areas	Status

Budargin Oleg Mikhailovich	higher	electric power industry, management	dependent director
Kazachenkov Andrey Valentinovich	higher	electric power industry, financial management	independent director
Vasil'ev Sergey Vyacheslavovich	higher	electric power industry, jurisprudence	independent director
Gavrilenko Anatoly Anatol'evich	higher	investment management, electric power industry	independent director
Dyomin Sergey Alexandrovich	higher	engineer, electric power industry	independent director
Livinsky Pavel Anatol'evich	higher	electric power industry, financial management	independent director,
Nikitin Sergey Alexandrovich	higher	financial management, investment management	independent director
Nuzhdov Alexey Victorovich	higher	investment management, electric power industry	independent director
Pankst'anov Yury Nikolaevich	higher	management, electric power industry	independent director
Syomin Nikolay Alexeyevich	higher	investment management, financial management, electric power industry	independent director
Sinyutin Petr Alexeyevich	higher	management, electric power industry	dependent director
Scribot Wolfgang	higher	investment management, electric power industry	independent director
Shatokhina Oxana Vladimirovna	higher	electric power industry, financial management	independent director

Source: “Expert RA” based on the data of JSC “MOESK”

Table 3. Membership of the Management Board (at 30.09.2013)

Surname Name Patronymic	Position
Sinyutin Petr Alexeyevich	Director General, Chairman of the Management Board
Budyko Mark Leonidovich	Deputy Director General for Logistics and Materiel Support
Bulanova Olga Leonidovna	Advisor to Director General
Voinov Roman Vladimirovich	Director of the branch “Moscow Cable Grids”
Inozemtsev Alexander Valer'evich	First Deputy Director General for Financial and Economic Activities and Corporate Governance
Kadatsky Valery Leonidovich	Deputy Director General for Security
Krenyova Nadezhda Anatol'evna	Deputy Director General for HR Management
Panin Alexander Alexandrovich	Deputy Director General for Legal Issues
Romanovsky Sergey Petrovich	Deputy Director General for Capital Construction

Starostin Alexey Sergeyevich	Deputy Director General for Corporate Construction and Property
Khatskevich Stanislav Felixovich	Advisor to Director General
Chegodayev Anatoly Vasil'evich	First Deputy Director General – Chief Engineer

Source: “Expert RA” based on the data of JSC “MOESK”

4. Rationale for the rating conclusion

4.1. Negative factors

Not identified.

4.2. Constraining factors

Insufficient number of compresence meetings of the Board of Directors

According to the data of the Company website, 27 meetings of the Board of Directors were held for the period from November 2012 to November 2013. However, 5 meetings only were conducted in the compresence form.

Insufficient number of compresence meetings of the Board of Directors reduces the degree of involvement of members of the Board of Directors in the Company operations that has a constraining effect on the rating level.

Lack of formalized minimum net profit share assigned for payment of dividends on shares

Dividends are paid to the Company shareholders from the net profit which is determined in accordance with RAS (Russian Accounting Standards), which in 2012 amounted to RUR 17.2 bn. The accrued dividends amount is RUR 4.3 bn (25% of net profit). The amount of dividends is RUR 0.088 per share. According to the Regulation on Dividend Policy, the Board of Directors of JSC “MOESK” seeks to provide a positive trend in dividend payments, but the minimum share of net profit assigned for dividends is not shown in the document.

Lack of the formalized minimum net profit assigned for payment of dividends does not guarantee a regular dividend income for shareholders, which has a constraining influence on the rating level.

4.3. Positive factors

Factors that have a positive impact on the rating evaluation include:

- High level of observance of shareholder rights;
- High level of organization of the Company executive bodies activities;
- High level of cooperation between the Company management bodies;
- High level of organization of the system of control over the Company financial and economic activity;
- High level of general discipline for information disclosure;
- High level of financial information disclosure;
- High level of organization of the corporate social responsibility;
- High level of informational contents of the corporate section on the Internet website.

4.4. Stress factors

Stress factors not identified.

4.5. Rating conditions

Rating conditions are absent.

5. Limitation of liability

The Agency does not accept any liability in connection with any consequences, interpretations, conclusions, recommendations, and other actions that are directly or indirectly associated with the rating evaluation, the rating actions taken by the Agency, as well as findings and conclusions contained in the rating report and press releases issued by the Agency, or the absence of all the above.

Rating evaluations express the opinion of the Rating Agency “Expert RA” and are not determination of facts or a recommendation to buy, hold or sell certain securities or assets, make investment decisions.

The only source that shows the current state of the rating evaluation is the official website of the Rating Agency “Expert RA” www.raexpert.ru.