

“Approved”
Managing Director
P. A. Samiev
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INTERNATIONAL GROUP OF RATING AGENCIES



Moscow - Ekaterinburg - Almaty - Minsk - Frankfurt - Hong-Kong

REPORT

ON ASSIGNING MANAGEMENT QUALITY RATING TO JSC “MOESK”

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1. Rating Agency Report

In accordance with resolution of the Rating Committee (**Minutes No. 5355 dated 23.01.2015**) that was taken based on the management quality analysis, Expert RA Rating Agency gave JSC “MOESK” **A++.gq rating, “The Highest Management Quality Level”**.

The management quality system promotes respect for and protection of rights of the stakeholders to the best extent possible.

1.1. Key factors affecting the credit rating

In carrying the rating assessment there were identified the following key factors that determined the management quality rating assigned:

Negative factors

- High workload of members of the Board of Directors (5 of 13 members of the Board of Directors are members of similar bodies of 5 and more companies).

Constraining factors

- Prevalence of the meetings of the Board of Directors held in absentia in comparison to the number of the meetings held in praesentia (only 8% of meetings was held in praesentia during the period from November 2013 to November 2014);
- Absence of social reporting.

Positive factors

- High level of organization of executive bodies work (the Company has Management Board (composed of 10 members), the necessary regulations are in place, remuneration of members of the Management Board depends on quarterly and annual Company performance);
- High level of information disclosure (the corporate website contains information about the strategy and management of the Company as well as its financial statements);
- Moderately high level of corporate social responsibility (the Company implements several social and charity projects; Corporate Code of Ethics was adopted);
- High level of organization of the system of control of financial and business operations of the Company (JSC “MOESK” has in place the Audit Committee and the Internal Audit and Risks Management Department; their work is regulated);
- High level of organization of the risk management system (the Internal Audit and Risks Management Department deals with risk management; the Company has in place a Risk Management Policy);
- High level of organization of work of committees of the Board of Directors (the Board of Directors has in place the Audit Committee, the Remuneration and Nomination Committee, the Strategy and Development Committee, the Reliability Committee and the Grid Connection Committee; work of the Committees is regulated);
- High level of coordination between management bodies of the Company (the Company has in place the position of a Secretary of the Board of Directors, his work is regulated by the Regulation on the Secretary of the Board of Directors);
- Moderately high level of organization of the Board of Directors (it is composed of 13

members, the Regulation on the Board of Directors and a schedule of meetings of the Board of Directors are in place, during the period from November 2013 to November 2014 meetings of the Board of Directors were held monthly, 1-5 times per month);

- Profitability of operations of the Company (based on RAS and IFRS reporting, JSC "MOESK" earned profit in 2013, 2012 and 2011).

1.2. Stress factors

Stress factors

No stress factors were identified.

1.3. Rating conditions

No rating conditions.

2. Initial data

In the analysis there were used the following data:

- Questionnaire in the form provided by the Agency;
- 2013 Annual Report of JSC “MOESK”;
- Q1 and Q3 2014 Quarterly Report of JSC “MOESK”;
- Consolidated financial statements for 2013, 2012 and 2011;
- Accounting statements (forms 1 and 2) for 2013, 2012 and 2011;
- Information from the website of the Company (<http://www.moesk.ru/>) and other open sources.

In carrying the rating assessment the Agency received in full all the requested information about operations of JSC “MOESK”.

3. About the Company

Table 1. About the Company

Full business name:	Joint Stock Company “Moscow United Electric Grid Company”
Owners	JSC Rosseti – 50.9% CJSC LEADER trust management for NSPF “GAZFOND” – 10.91% GPB (JSC) – 9,84% LLC “Managing Company AGANA” trust management for Closed-End Share Blend Investment Fund “Strategic Assets” – 8.51% LLC “Managing company Perspektiva Finance” trust management of pension savings placed with NSPF “Promagrofond” – 6.23% JSC “OEK-Finance” – 5,05% Other shareholders – 8.56%
Management	Sinyutin Pyotr Alekseevich, General Director
Year of establishment (date of the state registration of the Issuer):	01.04.2005
Core activities	Electric power transmission
Auditor of the Company	2013 reports were audited by CJSC “KPMG”. 2014 reports will audited by Ernst & Young LLC.
Participation of the Issuer in significant judicial proceedings:	The Issuer participated in judicial proceedings as a respondent. In most cases the subject of dispute was nonperformance of an agreement, debt collection, penalty collection, unreasonable gains, etc.

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

Table 2. Composition of the Board of Directors (as of 30.09.2014)

Full names of directors	Positions held
Budargin Oleg Mikhailovich (Chairman)	Chairman of the Management Board, General Director of JSC Rosseti Chairman of the Board of Directors of JSC "UES FGC" Member of the Supervisory Board of PJSC "Russian regional development bank" Member of the Board of Directors of JSC INTER RAO UES Chairman of the Supervisory Board of Nonprofit Partnership "Solar Energy Enterprises Association" Member of the Supervisory Board of Federal State Autonomous Educational Institution for Higher Professional Education "North-Caucasus Federal University" Member of the Board of Trustees and Member of the Scientific Council of National Research University "MPEI" Member of the Council, Vice President for Ecology of the Interregional Public Organization "Association of polar explorers" Vice President, Senior Advisor for Regional Development of the World Energy Council Member of the Board of Trustees of Federal State Cultural Institution "State Academic Mariinsky Theater" Member of the Board of Trustees of Regional State Autonomous Cultural Institution "Primorsky Opera and Ballet Theater"
Gavrilenko Anatoly Anatolievich	Director General, member of the Board of Directors of CJSC "Leader" Member of the Board of Directors of Gazprombank, OJSC Member of the Board of Directors of Gazprombank, OJSC Member of the Board of Directors of OJSC GAZ-Tek Member of the Board of Directors of OJSC GAZKON Member of the Board of Directors of JSC "GAZservis" Member of the Board of Directors of JSC "Glavnaya doroga" Member of the Board of Directors of LLC "Sochi-Breeze" Member of the Board of Directors of OAO Rocket and Space Corporation Energia after S.P. Korolev Member of the Board of Directors of JSC "Mosenergosbyt" Member of the Board of Directors of Istra Management LLC
Grishchenko Sergey Valentinovich	Deputy Head of the Direct Investments Department of Gazprombank, OJSC Member of the Board of Directors of GPB-DI HOLDINGS LIMITED Member of the Board of Directors of Centrex Europe Energy&Gas AG Member of the Board of Directors of Goodrock Real Estate Commercial Fund Limited

	<p>Member of the Board of Directors of Goodrock Real Estate Luxury Fund Limited</p> <p>Member of the Board of Directors of Goodrock Industrial Assets Fund Limited</p> <p>Member of the Board of Directors of GPB GLOBAL RESOURCES BV</p> <p>Chairman of the Board of Directors of LLC "GPB-Energoeffekt"</p> <p>Member of the Board of Directors of LLC "Speech Technology Center"</p> <p>Member of the Board of Directors of LLC "Northern Capital Highway"</p> <p>Chairman of the Board of Directors of JSC "Bionet"</p> <p>Member of the Board of Directors of New Tech Services Holding Limited</p> <p>Member of the Board of Directors of Investgeoservis CJSC</p> <p>Member of the Board of Directors of Scientific and Technical Center RATEC OJSC</p> <p>Member of the Board of Directors of LLC "Internet Hypermarket"</p> <p>Member of the Board of Directors of LLC "April"</p>
Dyomin Andrey Aleksandrovich	<p>First Deputy General Director for Economic and Financial Affairs, Member of the Management Board of JSC Rosseti</p> <p>Chairman of the Board of Directors of JSC "TRK"</p> <p>Chairman of the Board of Directors of JSC "Tymenenergo"</p> <p>Member of the Board of Directors of JSC "DVUEK"</p>
Kokin Andrey Anatolievich	<p>General Director of LLC "Stroy Capital"</p> <p>General Director of NSPF "GAZFOND pension savings"</p> <p>Vice President, Financial Director of NSPF "GAZFOND"</p>
Kravchenko Vyacheslav Mikhailovich	<p>Member of the Supervisory Board of NP "Market Council"</p> <p>Deputy Minister of Energy of the Russian Federation</p> <p>Member of the Board of Directors of JSC INTER RAO UES</p> <p>Chairman of the Board of Directors of CJSC "Center for Financial Settlements"</p> <p>Member of the Board of Directors of JSC Rosseti</p> <p>Member of the Board of Directors of JSC "UES FGC"</p> <p>Member of the Board of Directors of OJSC "SO UES"</p> <p>Member of the Board of Directors of JSC "RusHydro"</p>
Lebedev Sergey Yurievich	<p>Director of the Strategic Development Department of JSC Rosseti</p>
Livinskiy Pavel Anatolyevich	<p>Head of the Fuel and Energy Department of Moscow</p> <p>Member of the Board of Directors of JSC "United Energy Company"</p> <p>Member of the Board of Directors of OJSC "Mosgaz"</p> <p>Member of the Board of Directors of JSC "Mosenergo"</p> <p>Member of the Board of Directors of JSC "Mosgorsvet"</p> <p>Member of the Board of Directors of JSC "Mosenergosbyt"</p> <p>Member of the Board of Directors of JSC "BESK"</p>
Mangarov Yury Nikolaevich	<p>Adviser of JSC Rosseti</p> <p>Chairman of the Board of Directors of JSC "Yantarenergo"</p>

	Chairman of the Board of Directors of JSC “IDGC of North Caucasus” Member of the Board of Directors of JSC “IDGC of Center”
Nikitin Sergey Aleksandrovich	Deputy General Director, Head of the Corporate Control Directorate of CJSC “Leader” Member of the Board of Directors of JSC “Infinitum” Member of the Board of Directors of JSC “Glavnaya doroga” Member of the Board of Directors of JSC “Alor Bank” Member of the Board of Directors of LLC “ALOR +” Member of the Board of Directors of “INVEST-STOLITSA” LLC
Nuzhdov Aleksey Viktorovich	Deputy General Director for Investments and Interaction with Government Authorities of JSC “Leader” Head of the Corporate Security Directorate of NSPF “GAZFOND” Member of the Board of Directors of JSC “Mosenergosbyt”
Sinyutin Pyotr Alekseevich	General Director, Chairman of the Management Board of JSC “MOESK”
Shatokhina Oksana Vladimirovna	Deputy General Director for Economics of JSC Rosseti

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

Table 3. Management Board members (as of 30.09.2014)

Full names of directors	Positions held
Sinyutin Pyotr Alekseevich (Chairman)	General Director, member of the Board of Directors of JSC “MOESK”
Budyko Mark Leonidovich	Deputy General Director for Logistics and Procurement of JSC “MOESK”
Ivanov Viktor Ivanovich	Director of “Western Electric Grids”, a branch of JSC “MOESK”
Ivanov Vsevolod Evgenievich	Director of “Central Electric Grids”, a branch of JSC “MOESK”
Inozemtsev Aleksandr Valerievich	First Deputy General Director for Financial and Economic Activities and Corporate Governance of JSC “MOESK”
Kimerin Vladimir Anatolyevich	Deputy General Director for Energy Transportation and Metering, Director of “Energouchet” branch
Pyatigor Aleksandr Mikhailovich	Deputy General Director for Grid Connection and Service Development of JSC “MOESK”
Starostin Aleksey Sergeevich	Deputy General Director for Corporate Governance and Property of JSC “MOESK”
Filin Aleksandr Valentinovich	First Deputy General Director for Corporate Security and Corruption Control of JSC “MOESK”
Chegodaev Anatoliy Vasilyevich	First Deputy General Director, Chief Engineer of JSC “MOESK”

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

4. Rating Agency Report substantiation

4.1. Negative factors

High workload of members of the Board of Directors

The Board of Directors consists of 13 members, 5 of whom are members of Boards of Directors of more than 5 companies.

The high workload of members of the Board of Directors increases operational risks and makes it impossible to focus on activities of the Company, which has a constraining effect on the rating.

4.2. Constraining factors

Prevalence of the meetings of the Board of Directors held in absentia in comparison to the number of the meetings held in praesentia

The Company has in place an approved schedule of meetings of the Board of Directors. Based on the data provided by JSC “MOESK”, 8% of meetings was held in praesentia during the period from November 2013 to November 2014.

The inadequate number of the meetings held in presentia reduces the degree of engagement of members of the Board of Directors in activities of the Company, which has a constraining effect on the rating.

Absence of social reporting

The Company worked on preparing a sustainable development report until 2012. Since 2013, due to cost cutting, the Company does not prepare a sustainable development report and other kinds of social reporting.

The social report informs the stakeholders about environmental and social performance of the Company. The absence of social reporting has a constraining effect on the rating.

4.3. Positive factors

The factors that have a positive effect on the rating include:

- High level of organization of executive bodies work (the Company has Management Board (composed of 10 members), the necessary regulations are in place, remuneration of members of the Management Board depends on quarterly and annual Company performance);
- High level of information disclosure (the corporate website contains information about the strategy and management of the Company as well as its financial statements);
- Moderately high level of corporate social responsibility (the Company implements several social and charity projects; Corporate Code of Ethics was adopted);
- High level of organization of the system of control of financial and business operations of the Company (JSC “MOESK” has in place the Audit Committee and the Internal Audit and Risks Management Department; their work is regulated);
- High level of organization of the risk management system (the Internal Audit and Risks Management Department deals with risk management; the Company has in place a Risk Management Policy);
- High level of organization of work of committees of the Board of Directors (the Board of Directors has in place the Audit Committee, the Remuneration and Nomination Committee, the Strategy and Development Committee, the Reliability Committee and the Grid Connection Committee; work of the Committees is regulated);

- High level of coordination between management bodies of the Company (the Company has in place the position of a Secretary of the Board of Directors, his work is regulated by the Regulation on the Secretary of the Board of Directors);
- Moderately high level of organization of the Board of Directors (it is composed of 13 members, the Regulation on the Board of Directors and a schedule of meetings of the Board of Directors are in place, during the period from November 2013 to November 2014 meetings of the Board of Directors were held monthly, 1-5 times per month);
- Profitability of operations of the Company (based on RAS and IFRS reporting, JSC "MOESK" earned profit in 2013, 2012 and 2011).

4.4. Stress factors

No stress factors were identified.

4.5. Rating conditions

No rating conditions.

5. Limitation of liability

The Agency shall assume no responsibility for any consequences, interpretations, conclusions, recommendations and other actions directly or indirectly related to the rating assessment, rating related actions taken by the Agency as well as the findings and conclusions contained in the rating report and press releases issued by the Agency or the absence of all the above.

The rating assessment reflects the opinion of Expert RA Rating Agency and does not constitute establishment of facts or recommendations to buy, hold or sell any securities or assets or make investment decisions.

The only source that shows the current status of the rating is the official website of Expert RA Rating Agency at www.raexpert.ru.