



SYNERGY IN ACTION

ANNUAL REPORT 2017

IDGC OF CENTRE, PJSC

IDGC of Centre, PJSC (the “Company”) is a Russian power grid company primarily engaged in providing power transmission and grid connection services. With the Executive Office sitting in Moscow, the Company’s branches operate in Belgorod, Bryansk, Voronezh, Kursk, Kostroma, Lipetsk, Orel, Smolensk, Tambov, Tver, and Yaroslavl.

In September 2017, powers of the sole executive body of IDGC of Center and Volga Region, PJSC were delegated to IDGC of Centre, PJSC. The Decision was approved by the Board of Directors of PJSC ROSSETI and by the Annual General Meeting of Shareholders of IDGC of Center and Volga Region, PJSC.

REPORT DATA AND DISCLAIMER

Scope of the Report

The information contained herein, including financials based on the accounting (financial) statements under RAS, comprises the IDGC of Centre’s activity data.

This Annual Report is based on the information available to IDGC of Centre as at the date of this report. The document contains an overview of the Company’s performance in 2017 and its historical evolution since 2015.

Information about the members of the Company’s management and supervisory bodies, committees of the Board of Directors, Corporate Secretary, and their remuneration is provided in this Report in compliance with the Russian laws on personal data.

Disclaimer

The Annual Report contains forward-looking statements that reflect expectations of the Company’s management. These forward-looking statements are not based on fact and include statements of intent, opinions or current expectations of the Company regarding its operating results, financial position, liquidity, growth prospects, strategies, and the industry in which IDGC of Centre operates. By their nature, such forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future.

We generally use words such as “intends”, “aims”, “expects”, “estimates”, “plans”, “believes”, “anticipates”, “may”, “should”, “will”, “continues” and other similar to identify forward-looking statements, and assume that the occurrence of specified events is dependent on various factors. Therefore, future performance may differ from current expectations, and users of the Report should not rely exclusively on the information presented therein.

Apart from official data on IDGC of Centre’s performance, this Annual Report contains information provided by third parties. Such information has been received from sources that are believed by the Company to be reliable. However, the Company does not warrant that third-party information is accurate, complete or comprehensive.

IDGC of Centre cautions that forward-looking statements are not guarantees of future performance. The Company’s actual operating results, financial position, liquidity, and development of the industry in which it operates may significantly differ from those contained in the forward-looking statements set forth in this Report. Furthermore, even if the above indicators are consistent with the forward-looking statements contained herein, those results or developments may not be indicative of results or developments in future periods.

The Company makes no warranties or representations, whether express or implied, and bears no liability for any losses incurred by individuals or entities for any reason, whether directly or indirectly, as a result of using the forward-looking statements contained in the Annual Report. These individuals and entities should not rely solely on the forward-looking statements contained in this document, since they do not represent the only possible scenario.

Save as provided for by the Russian laws, the Company undertakes no obligation to update or confirm its expectations and estimates, or publish updated and revised forward-looking statements contained herein as a result of future events or new information.

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REPORT IN THE REPORT



2017 HIGHLIGHTS

Powers of the sole executive body of IDGC of Center and Volga Region delegated to IDGC of Centre

11 September 2017, an Agreement on the Delegation of Powers of Sole Executive Body of IDGC of Center and Volga Region to IDGC of Centre was signed. PJCS ROSSETI, made a decision to introduce unified management in IDGC of Centre and IDGC of Center and Volga Region to improve productive and financial efficiency of IDGC of Center and Volga Region, decrease the operational costs and provide reliable power grid supply for all categories of consumers.

The Agreement terms are approved by the Boards of Directors of both Companies.

An automated system for mass power outages recording put into commercial operation

The main objectives of creating this system are to obtain a tool for operational control and situational management in various modes of operation of the power grid complex, as well as to provide the crisis management centre of IDGC of Centre and crisis management centres of branches with operational information on the course of emergency recovery work for making managerial decisions.

All information is visualised according to the existing boundaries of the regions. The data includes number of de-energised households, de-energised transformer substations, emergency power lines, number of working crews. The map in real time displays the actual weather conditions: ambient temperature, wind force, precipitation, storm warnings about unfavourable weather events.

Consolidation of operational and situational methods in power grids management

IDGC of Centre and IDGC of Center and Volga Region arranged a Single Responsible Centre to receive and transmit on-line data.

From December 1, 2017, all functions of providing on-line data regarding the condition of the grid facilities of all branches of both Companies were entrusted to the Emergency Operations Centre, which belongs to the Operational Technological and Situational Management Department of IDGC of Centre (the "EOC"). The EOC is enforced with duty operators, who passed special training.

Restructuring allowed to increase efficiency of management solutions and improve use and coordination of forces in case of accidents elimination in relation to electrical grids of two Companies' branches. The resources for emergency and repair works almost doubled.

STATEMENT BY THE CHAIRMAN OF THE BOARD OF DIRECTORS AND GENERAL DIRECTOR



Chairman of the Board of Directors
IDGC of Centre

YURY N. MANGAROV



General Director
IDGC of Centre

OLEG YU. ISAEV

**Dear shareholders, investors, customers, partners
and employees of IDGC of Centre,**

Another year of our collaboration has ended. The time is now to highlight the main outcomes and to outline the tasks for future.

In 2017, despite a complicated macroeconomic environment, the Company proved its leader status by key industry indicators and created required conditions for future development.

As per the results of the year, the Company's revenue reached its maximum across the last four years, i.e. RUB 91.1 bn. Only the power transmission services yielded RUB 87.9 bn (including the territories covered as a guaranteeing supplier), that is RUB 3.3 bn more than it was planned. Scope of net electricity delivery by "single pot" tariffs in comparable terms of 2016 increased by 0.7% up to 51.7 bn kWh, that is 1.1 bn kWh more than the parameters specified in the Business Plan. Capacity of 560 MVA and 4,075 km of power transmission lines were commissioned under the Investment Programme of the Company, that is also above the planned values. As a result of systematic work, the electricity losses were brought down to 9.86% by the end of 2017, that helped to save 209 mn kWh, or RUB 505 mn.

As for the period under the Report, the Company executed 42,300 grid connection contracts for different categories of consumers. Total connected loads reached 865.8 MW, while total amount of revenue increased to RUB 1.6 bn. We managed to reduce the average execution time for grid connection contracts from 78 days to 65 days.

Having exceeded the main indicators of the Business Plan, we can speak about efficient work of the Company management and proper priorities in operational activities of the Company.

13 DAYS
(down to 65)
REDUCTION
IN AVERAGE TIME
OF GRID CONNECTION

Operating Efficiency

While there are some restrictions for the electricity tariff growth, the management of expenditures assumes higher priority. Therefore, approval of the Operational Efficiency and Cost Reduction Programme for 2017-2021 by the Board of Directors was a very important event in the Company strategic development in 2017. The main goals of the Programme are upgrade of production and commercial activities, optimisation of scope and structure of the production and administration management costs, as well as reduction of the cost of sales of Company's services.

Through successful implementation of the Programme activities in 2017 we were able to obtain accounts receivable in amount of RUB 3.0 bn, and to save RUB 0.7 bn due to improvements in payroll system and RUB 0.2 bn due to optimisation of the procurement management system. Total reduction of operating costs in relation to year 2016 exceeded the target value, which was set as 3%, and reached 6.5%.

91.1 RUB
BN
(+6%)
REVENUE BY
THE END OF 2017

51.7 BN
KWH
(+0.7%)
NET ELECTRICITY DELIVERY
TO THE GRID

Synergy in Action

The key event for the Company was delegation of powers of the sole executive body of IDGC of Center and Volga Region - the main supplier of the power transmission services and grid connections in 9 entities of the Central and Volga Federal Districts - to IDGC of Centre in September 2017.

We have proceeded with optimisation of production and financial resources, consolidation of the best practices and improvement of management quality. Within the short time period we managed to develop interlinked complex programmes for grids upgrading for 20 regions of the country and start their implementation.

Combination of power grids operational and situational management efforts from IDGC of Centre and IDGC of Center and Volga Region made a positive effect on different tasks, including reduction of emergency and repair works periods, improvement of on-line data exchange in emergency conditions, consolidation of centralised emergency reserve and standby power sources. Reduction of operating costs, which was made possible by synergy of resources, contributes to qualitative improvements of the power grid complex, increased financial stability and stronger investment appeal both for IDGC of Centre and IDGC of Center and Volga Region.

Corporate Governance

The extensive work of the Company management bodies to improve corporate governance and to make investment case stronger had a positive effect on the Company's securities market. In August, 2017, IDGC of Centre's shares were transferred from the Third Tier of the Moscow Exchange quotation list to the Second one.

According to the Dividend Policy accepted by IDGC of Centre, the dividends were paid out to the shareholders in the amount of 100% of the Company net profit under RAS. In 2017, dividends were accrued in the amount of RUB 1.9 bn, which is the record high for dividend payouts in the Company's history.

One of the Directors was appointed as an Independent Director according to the procedure stipulated by the Moscow Exchange - and that is an essential result of the Board of Directors activities. Having four representatives of the minority shareholders in the Board of Directors, two of which are Independent Directors, we can accommodate the interests of all the shareholders and take informed and balanced decisions to maintain further stable growth of the Company.

**JOINT MANAGEMENT OF POWER
GRIDS OF TWO COMPANIES
POSITIVELY AFFECTED THE
EFFICIENCY OF SOLVING
PROBLEMS**

1.9 RUB
BN
(+309%)
DIVIDENDS ACCRUED IN 2017

Innovative Development

The Company has completed development and introduction of an automated system of mass power outages recording. In case of emergency disconnection, the system can in real time mode transmit data on number of disconnected power lines, transformer substations and consumers, actual weather conditions and progress in repair works to the Emergency Response Teams of IDGC of Centre and IDGC of Center and Volga Region to provide proper on-line decision-making. The new programme has already approved itself both in normal and abnormal conditions. The IDGC of Centre's specialists continue their work on other advanced innovative projects, which can significantly increase the Company operating efficiency.

Industrial Safety and Social Responsibility

The Company still granted special consideration to investments in human capital assets, growth of industrial safety level, and different social initiatives. We have been using different kinds of vocational training, retraining and education of personnel. Totally 14,802 of the Company's employees obtained new knowledges and skills in specialised educational institutions in 2017.

Among the social projects the following should be pointed out: the Annual Youth Forum; the Corporate Ecology Project of IDGC of Centre "Green Distribution Zone programme" organised within the Year of Ecology in Russia; joint competitions in professional skills of repair and service crews of IDGC of Centre and IDGC of Center and Volga Region; the 8-th IDGC of Centre's Summer Sports Games, to name but a few. These events open new possibilities to the Company's employees to realise their personal potential.

In the Short Term

The most important tasks, which the Company has in the short term, still are reliable and stable electricity supply to consumers, constructive and systematic approach to development of the Company's power grid infrastructure, improvement of corporate governance and increase in IDGC of Centre's capitalisation.

We hope that experience of the Board of Directors' members acquired throughout the years of work in different areas, as well as efficient management and shareholders support will make it possible for the Company to complete successfully all tasks assigned to it.

**Chairman of the Board of
Directors IDGC of Centre**

Yury N. Mangarov

**General Director
IDGC of Centre**

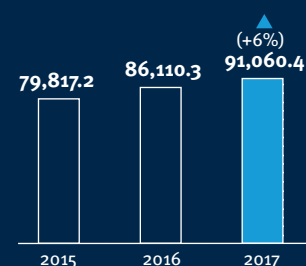
Oleg Yu. Isaev

14.8 THOU.
EMPLOYEES
WERE TRAINED IN 2017

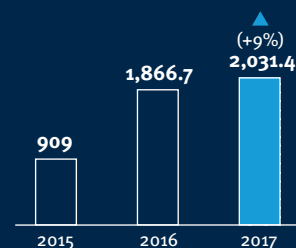
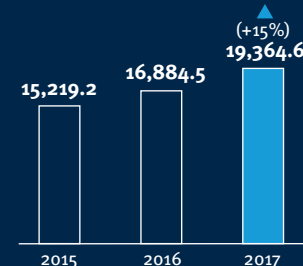
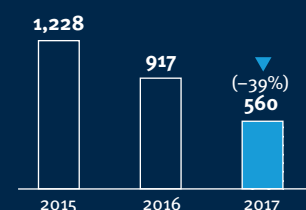
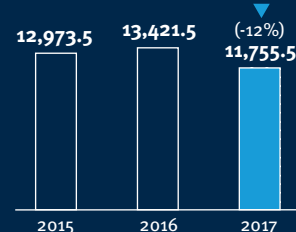
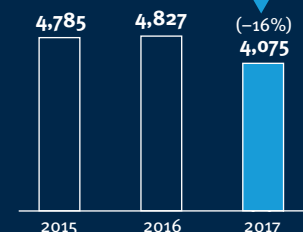
PERFORMANCE HIGHLIGHTS

FINANCIAL AND OPERATING HIGHLIGHTS

Revenues (RAS), RUB mn

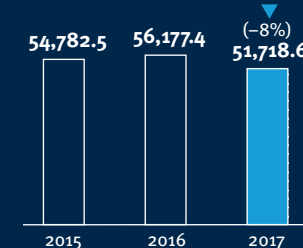
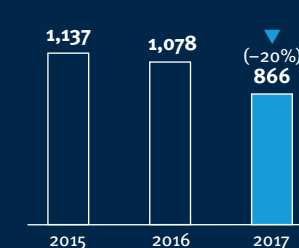
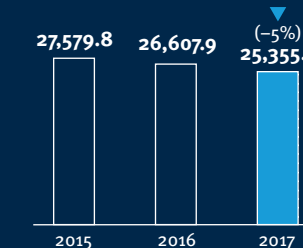
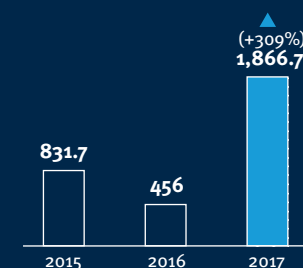
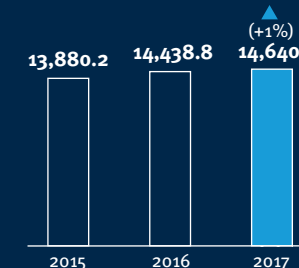
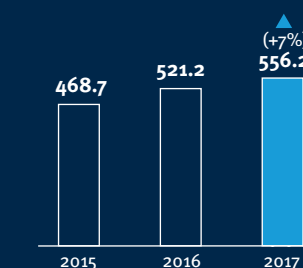
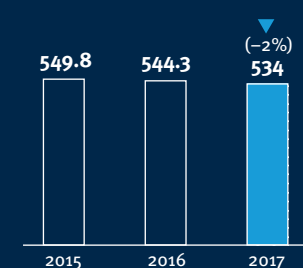
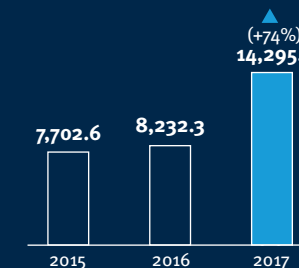
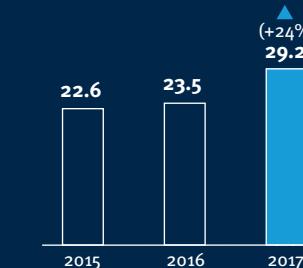


Net profit (RAS), RUB mn

EBITDA¹ (RAS), RUB mnNew transformer
capacity, MVACAPEX, RUB mn
(excl.VAT)New transmission
lines, km

1. EBITDA was calculated as Profit before Tax – Interest Payable + Depreciation = Line 2300 (RAS Form No. 2) – Line 2330 (RAS Form No. 2) + Line 6514 (RAS Form No. 2.1) + Line 6554 (RAS Form No. 2.1) + Line 6564 (RAS Form No. 2.1)

COMMUNITY RELATIONS HIGHLIGHTS

Customers (power transmission
services provided), mn kWhCustomers
(connected loads), MWSuppliers
(procurement), RUB mnShareholders
(dividend payouts), RUB mnEmployees
(payroll and benefits), RUB mnEmployees (health and safety
expenditure), RUB mnHouseholds (injury prevention
expenditures), RUB mnHouseholds
(taxes paid), RUB mnEnvironmental protection
expenditures, RUB mn

IDGC OF CENTRE INVESTMENT CASE

RUB 1.9 BN ALLOCATED TO DIVIDEND PAYMENTS

That is the record high value in the Company's history.

IDGC of Centre has paid dividends over the past 7 years and has a strong dividend history with the Dividend Policy aimed to regular payments.

For more details on the Company's Dividend Policy see page 145

1ST PLACE

by the length of transmission lines among other IDGCs

2ND PLACE

in transformer capacity among other IDGCs

For more details on the Company's grid assets see the Operating Review section of the Annual Report

STATUS OF THE KEY INFRASTRUCTURE COMPANY

in Central Russian regions with stable demand for Company services

IDGC of Centre operates in the developed regions of the European part of Russia and occupies a dominant position

For more details on the Company activities see Development Strategy and Operating Review sections

NRCG 7+

High corporate governance rating

IDGC of Centre follows the best practice in corporate governance to improve stakeholder relations

For more details on the Company's rating see the Corporate Governance section

34% FREE-FLOAT

The Company shares are traded on the Moscow Exchange, whose Index Committee has assigned a high rating to the shares in free float

For more details on the Company's shares see page 136

93.9%¹

High information transparency

Based on the Perception Study results, IDGC of Centre has high quality of disclosures and effective work with investors

For more details on the Company's transparency see the Shareholder and Investor Relations section

EFFECTIVE MANAGEMENT

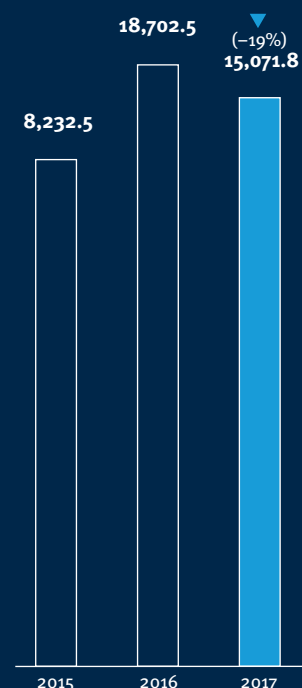
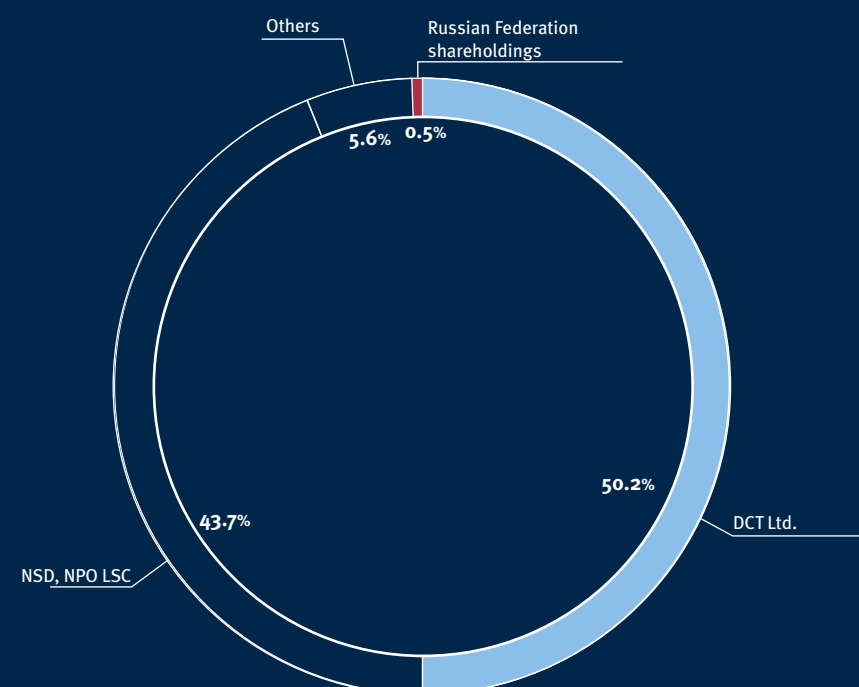
The investors cited high level of management as one of the Company strengths

For more details on the Company's management see the Corporate Governance section

1. Positive image index (target value – 75 %).

SHAREHOLDING STRUCTURE¹

Market capitalisation, RUB mn



OUTSTANDING SECURITIES

Shares:

42,217,941,468

ordinary shares with a par value of 10 kopecks (RUB 0.1) each.

Bonds:¹

the Company's series **BO-02**, **BO-04**, and **BO-05** bonds with a total face value of RUB 15 bn and a 10-year maturity are traded on the Moscow Exchange.

Listing (shares):

The Second Tier in the Moscow Exchange quotation list

Index membership:

MCXSM

MICEX Index for mid- and small-cap stocks

MOEX RCI

Regulated Company Index (RCI)

MICEX PWR

MICEX Power Index

MICEX BMI

Broad market index

Credit ratings:²

BB/B

outlook stable Standard & Poor's

Credit ratings:

RUAA

outlook stable RAEX (Expert RA by the National rating scale)

CORPORATE STRUCTURE



BRANCHES (11)

- Belgorodenergo
- Bryanskenergo
- Voronezhenergo
- Kostromaenergo
- Kurskenergo
- Lipetskenergo
- Orelenergo
- Smolenskenergo
- Tambovenergo
- Tverenergo
- Yarenergo

SUBSIDIARIES 100%

**ENERGETIK HEALTH
RESORT, JSC**

**ENERGY SERVICE COMPANY,
OJSC³**

The Company's mission is energy supply, energy efficiency and maintenance services

51%

100%

**YAROSLAVL ELECTRIC
GRID COMPANY, OJSC**

Territorial grid organisation providing electricity transmission services in the Yaroslavl Region

**INNOVATIONS AND
ENERGY EFFICIENCY
CENTRE, CJSC⁴**

Research and development organisation providing energy efficiency improvement services

1. As of 31 December 2017

2. In 2017, Standard & Poor's Agency upgraded its outlook on IDGC of Centre's credit rating from stable to positive and confirmed the long-term rating level of "BB -". In February 2018, the Agency revised the Company's rating upwards to "BB". For more details see the Financial Review section of the Annual Report.

3. On April 10, 2018, an entry on liquidation of Energy Service Company, OJSC was made in the National Register of Legal Entities.

4. On October 10, 2017, an entry on liquidation of Innovations and Energy Efficiency Centre, CJSC was made in the National Register of Legal Entities.

CONSOLIDATING THE RESOURCES

IDGC OF CENTRE

A KEY INFRASTRUCTURE COMPANY IN CENTRAL RUSSIAN REGIONS WITH STABLE HIGH DEMAND FOR COMPANY SERVICES

The Company's share in the market for electricity transmission

85.9 % (- 0.2 p.p.)

The Company's share in the market for grid connections

88.6 % (- 0.1 p.p.)

Revenue Structure (RAS), RUB mn

Electricity transmission	87,623 (+5 %)
Grid connection	1,591 (+13 %)
Electricity sales	548 (+ 963 %)
Other	1,298 (+23 %)
Total	91,060 (+6 %)

Net profit (RAS):

2,031.4 RUB mn (+9%)

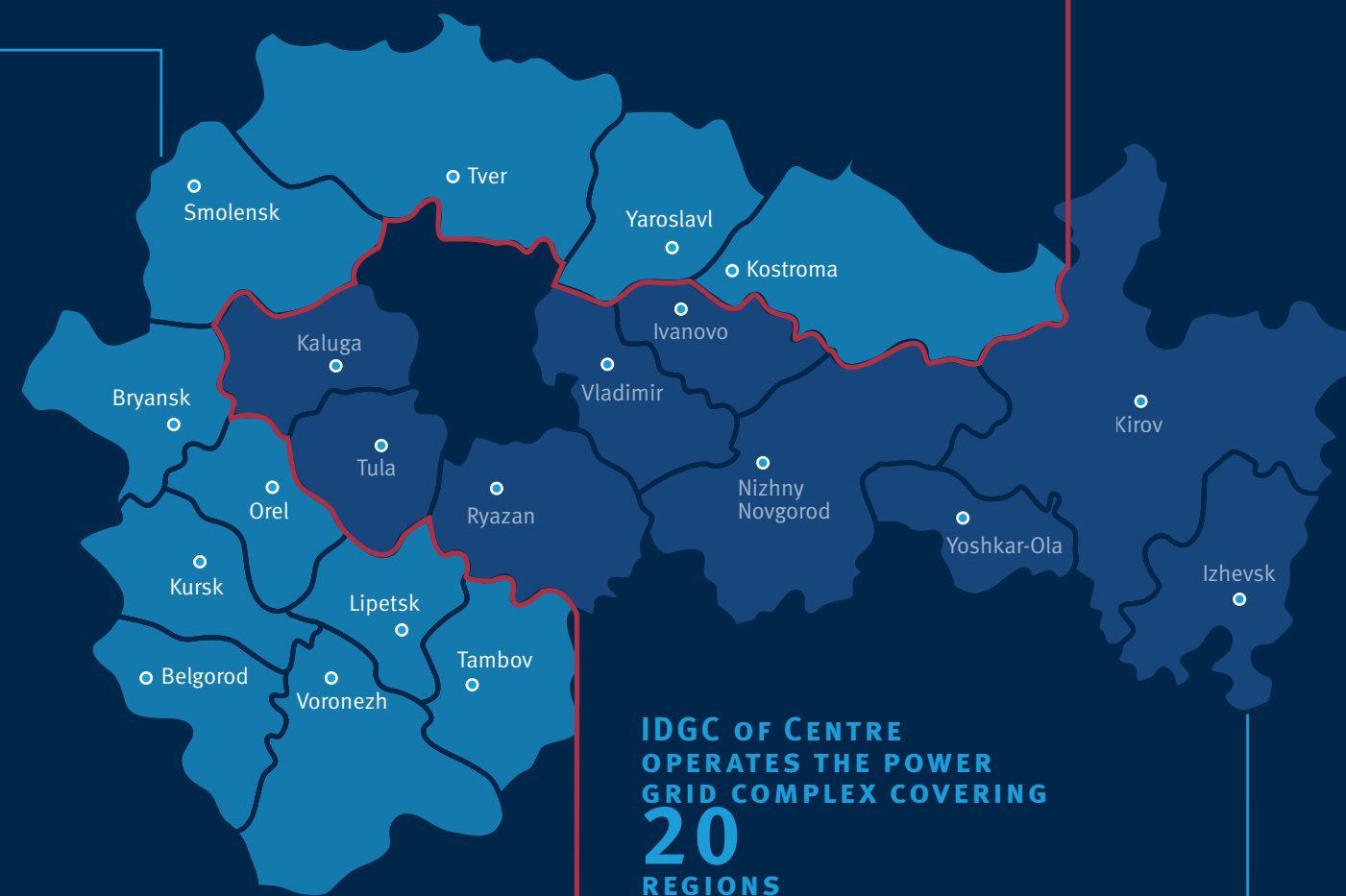
Average headcount

29,600 persons

Assets operated by IDGC of Centre²

Asset	Unit	2017
Substations, 0.4-110 kV	units	103,002
Installed capacity (total)	thousand MVA	54.6
Distribution points, 6-10 kV	units	872
	MVA	437.5
ROW length of overhead lines, 0.4-110 kV	km	386,406.6
Length of cable lines, 0.4-110 kV	km	18,593.5

From September 11, 2017, IDGC of Centre have been delegated the powers of Sole Executive Body of IDGC of Center and Volga Region. The decision was taken by ROSSETI to improve significantly productive and financial efficiency of IDGC of Center and Volga Region.



THE FIRST RESULTS OF A UNIFIED MANAGEMENT SYSTEM

Unified upgrading standards

- ◆ investment programmes with innovative solutions have been developed for 20 regions;
- ◆ grids upgrading and development programmes consider the interests and peculiarities of regions
- ◆ reliable power grid supply with reduction of operating expenditures.

Single Emergency Operations Centre¹

- ◆ arrangements have been made to receive and transmit on-line data on grid facilities functioning and activities in emergency conditions for all branches of both Companies;
- ◆ an automated system of mass power outages recording was commissioned.

Synergistic effect due to pooling of resources

- ◆ failure rate indicators improved to 5.67 (- 13%);
- ◆ grid connections time frames reduced (from 78 to 65 days);
- ◆ operating costs reduced by 6.5 % to the level of 2016;
- ◆ emergency and repair works time reduced to 2.8 hours;
- ◆ a single corporate information system is under development, that will allow to optimize the cost.

In 2017, financial and economic effect from delegation of powers of the Sole Executive Body amounted to

289.9 RUB mn

IDGC OF CENTER AND VOLGA REGION

MAXIMUM FINANCIAL INDICATORS FOR THE FOUR YEARS

Net profit (RAS):

+214.3%
(RUB 11,352.7 mn)

Revenue (RAS)

+15.8%
(RUB 90,843 mn)

The Company's share in the market for electricity transmission

77%

The Company's share in the market for grid connections

90%

Average headcount

22.5
thou. people

Assets operated by IDGC of Center and Volga Region

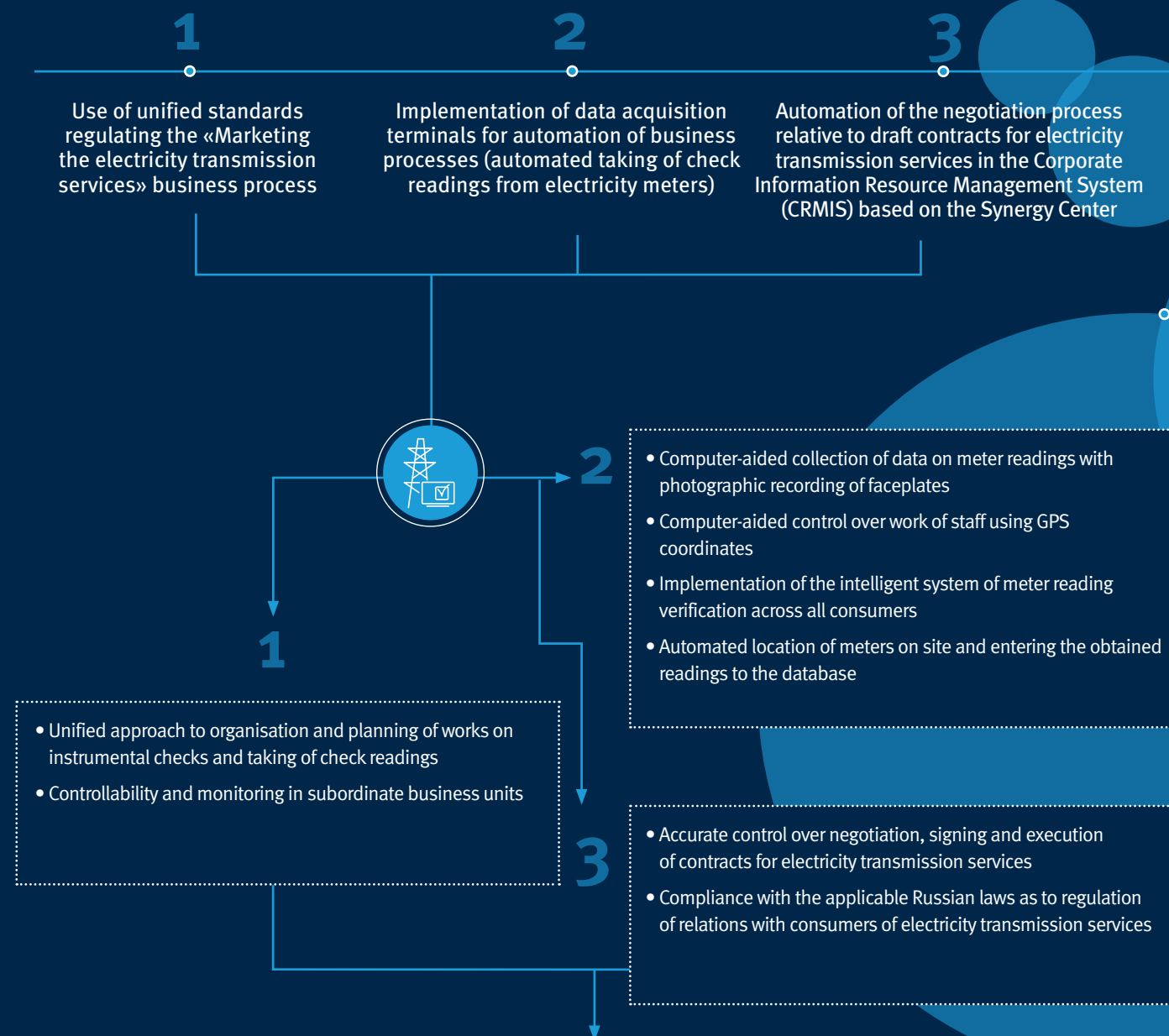
Asset	Unit	2017
Substations, 35/110/220 kV	units	1,550
Installed capacity (total)	thousand MVA	30.08
Distribution points, 6-10 kV	units	578
	MVA	
Transformer substations, 6-35/0.4 kV		63,066
ROW length of overhead lines, 0.4-220 kV	km	263,083
Length of cable lines, 0.4-110 kV	km	7,615

1. Operates since December 1, 2017

2. Including finance lease, operating lease, and equipment under maintenance contracts.

APPLYING THE BEST MANAGEMENT PRACTICES OF IDGC OF CENTRE

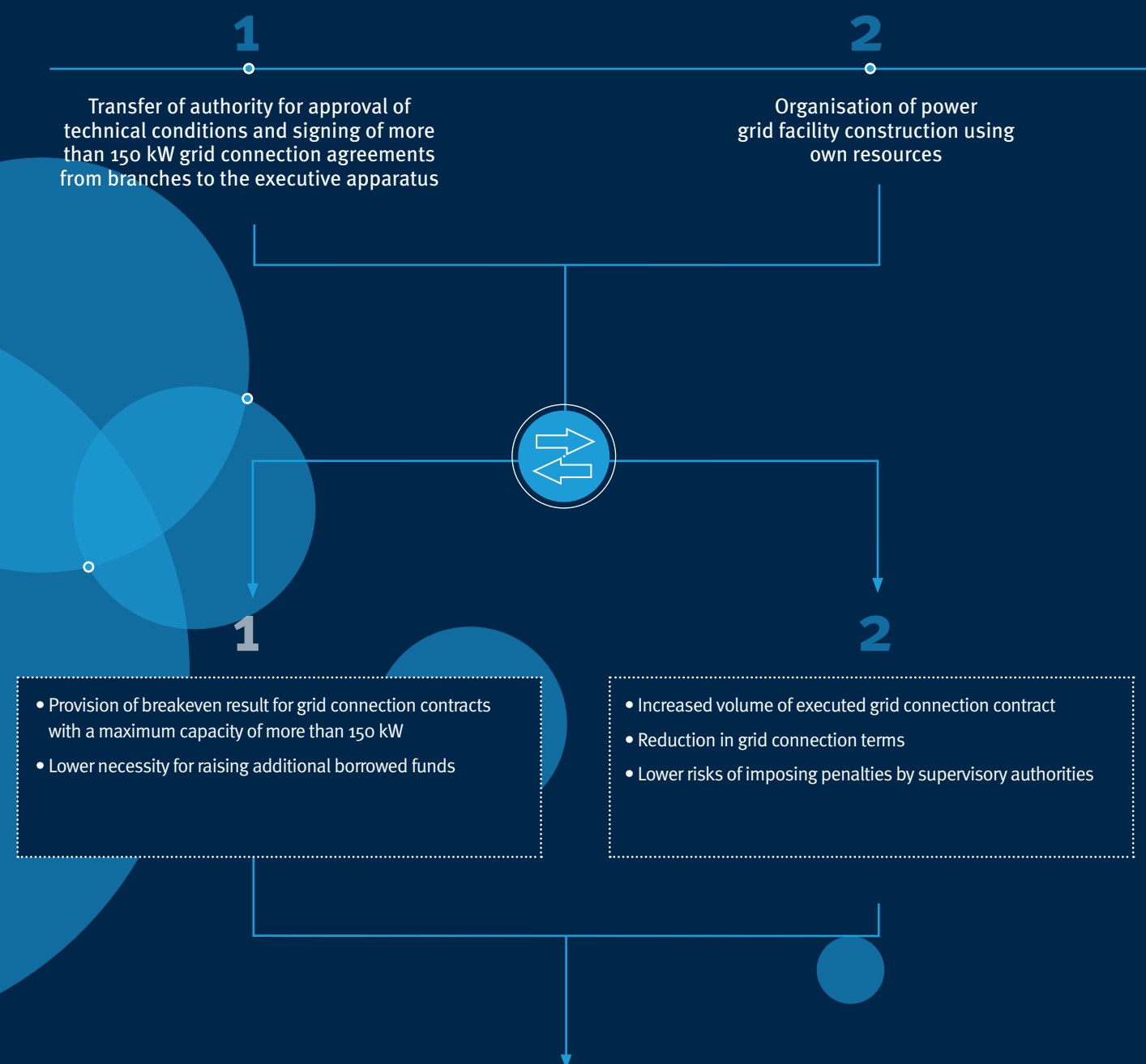
ELECTRICITY METERING AND SALES OF SERVICES



SYNERGETIC EFFECT FROM THE APPLICATION OF BEST MANAGEMENT PRACTICES BY IDGC OF CENTRE AT IDGC OF CENTRE AND VOLGA REGION

- Increase in labour productivity
- Reduction of operating costs for taking readings
- Higher revenue for electricity transmission services
- Lower risks of signing contracts on disadvantageous terms
- Lower loss compensation costs

GRID CONNECTION



- Reduced load on the investment programme
- Higher revenue for grid connection services
- Performance of targets

APPLYING THE BEST MANAGEMENT PRACTICES OF IDGC OF CENTRE

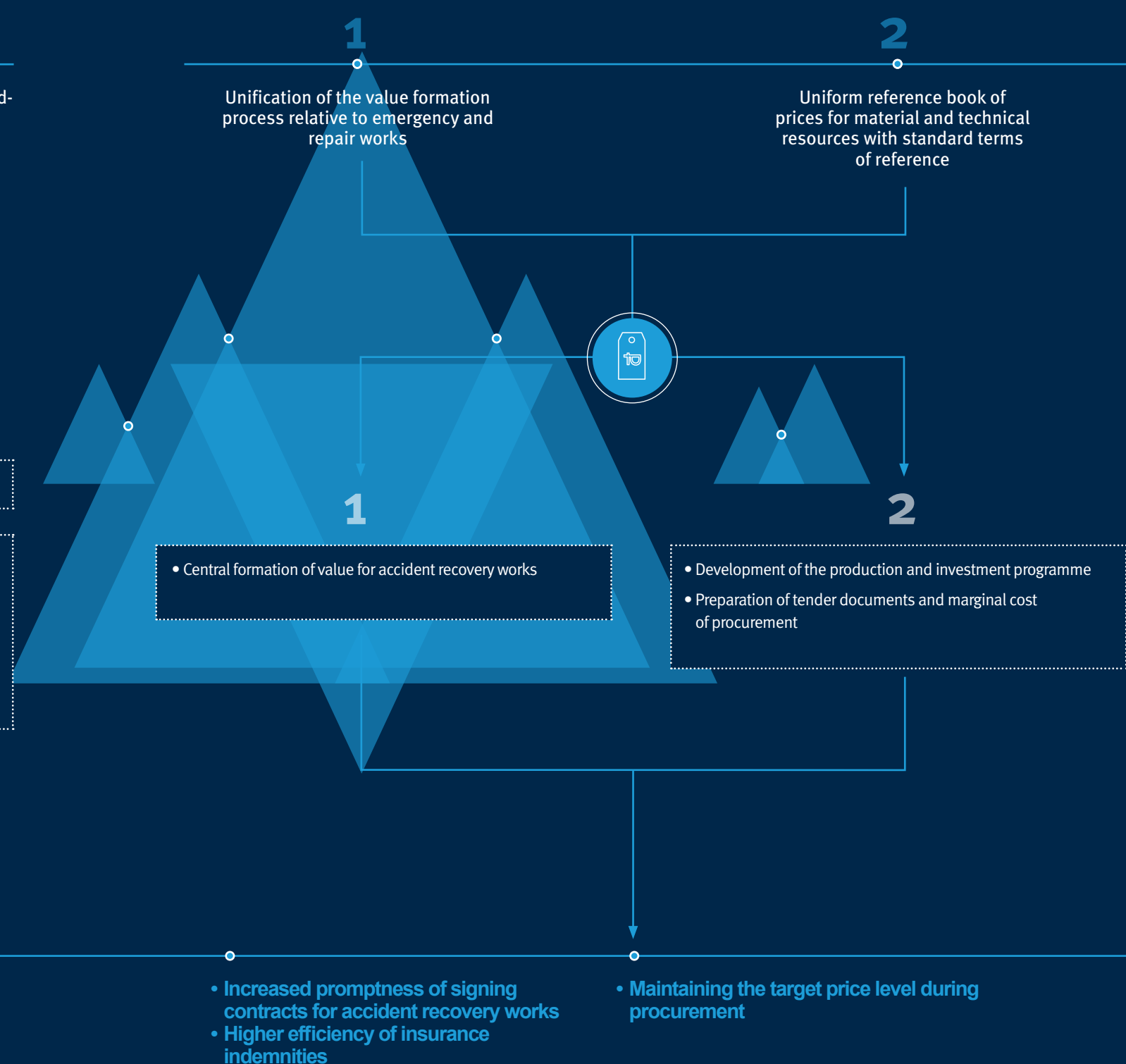
MARKETING AND CUSTOMER RELATIONS



SYNERGETIC EFFECT FROM THE APPLICATION OF BEST MANAGEMENT PRACTICES BY IDGC OF CENTRE AT IDGC OF CENTER AND VOLGA REGION

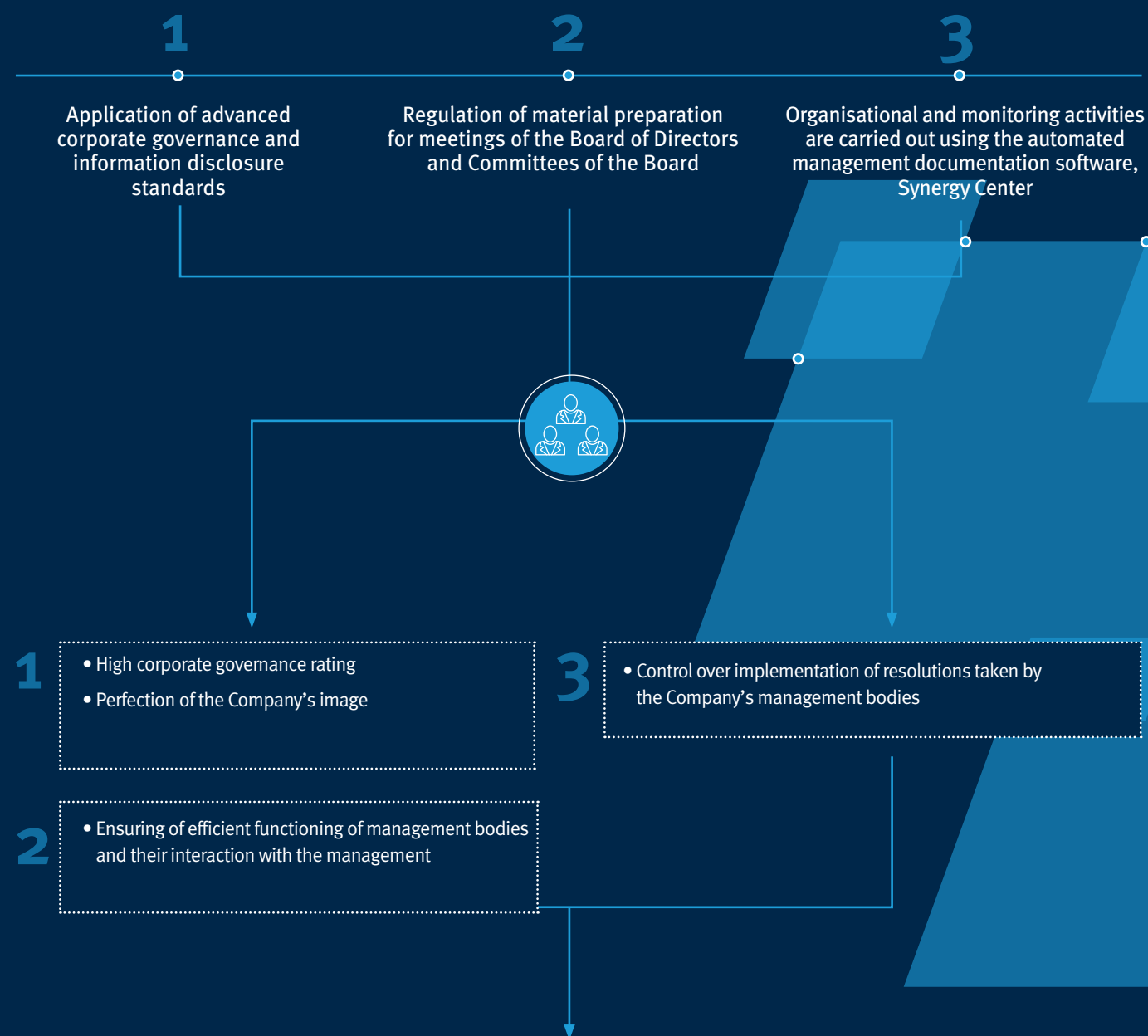
- Growth of the Company's revenue and profit
- Applying the unified standards in consumer service

PRICE POLICY



APPLYING THE BEST MANAGEMENT PRACTICES OF IDGC OF CENTRE

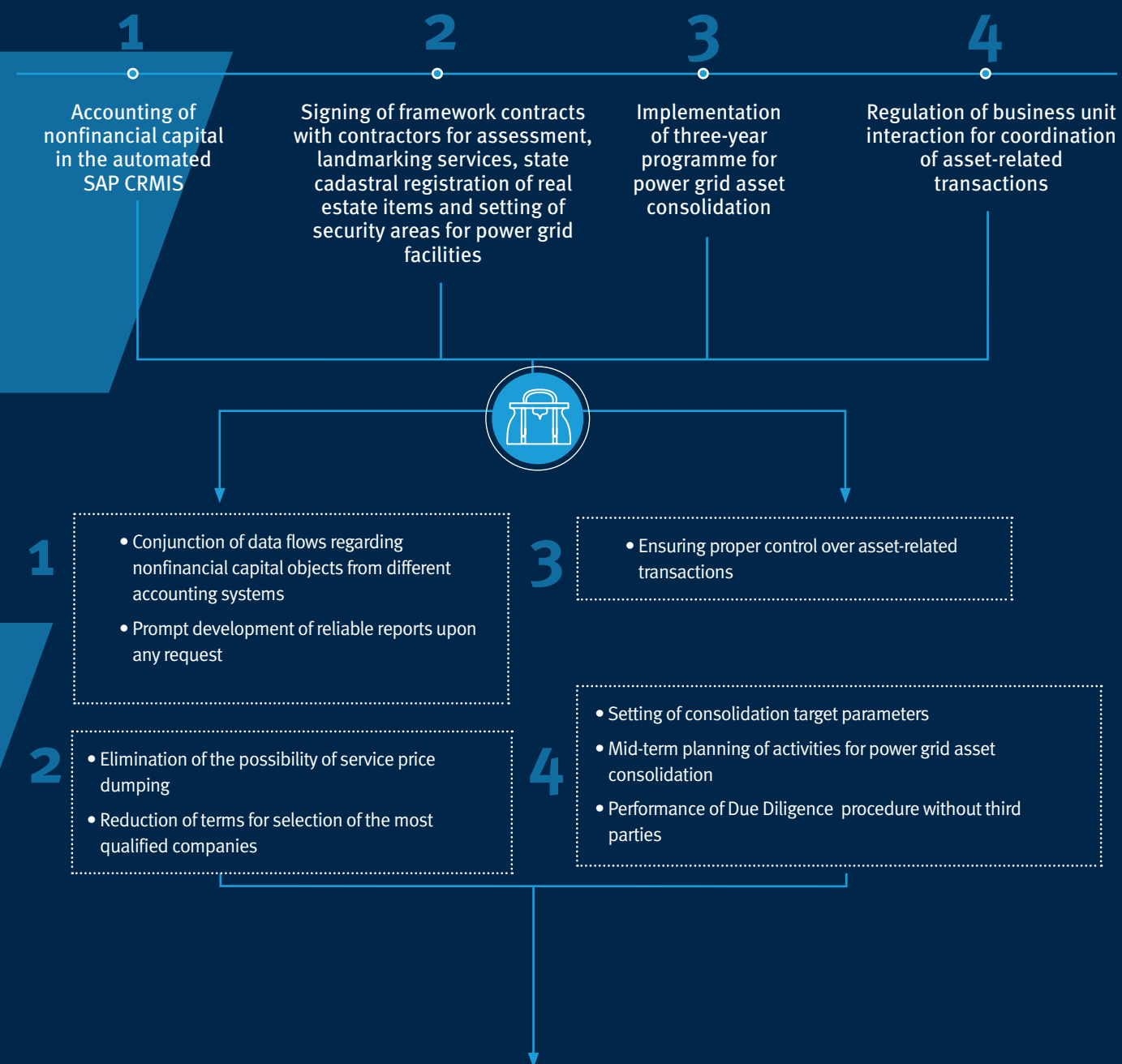
CORPORATE GOVERNANCE



SYNERGETIC EFFECT FROM THE APPLICATION OF BEST MANAGEMENT PRACTICES BY IDGC OF CENTRE AT IDGC OF CENTER AND VOLGA REGION

- Enhancing transparency and investment appeal
- Perfection of the Company's image

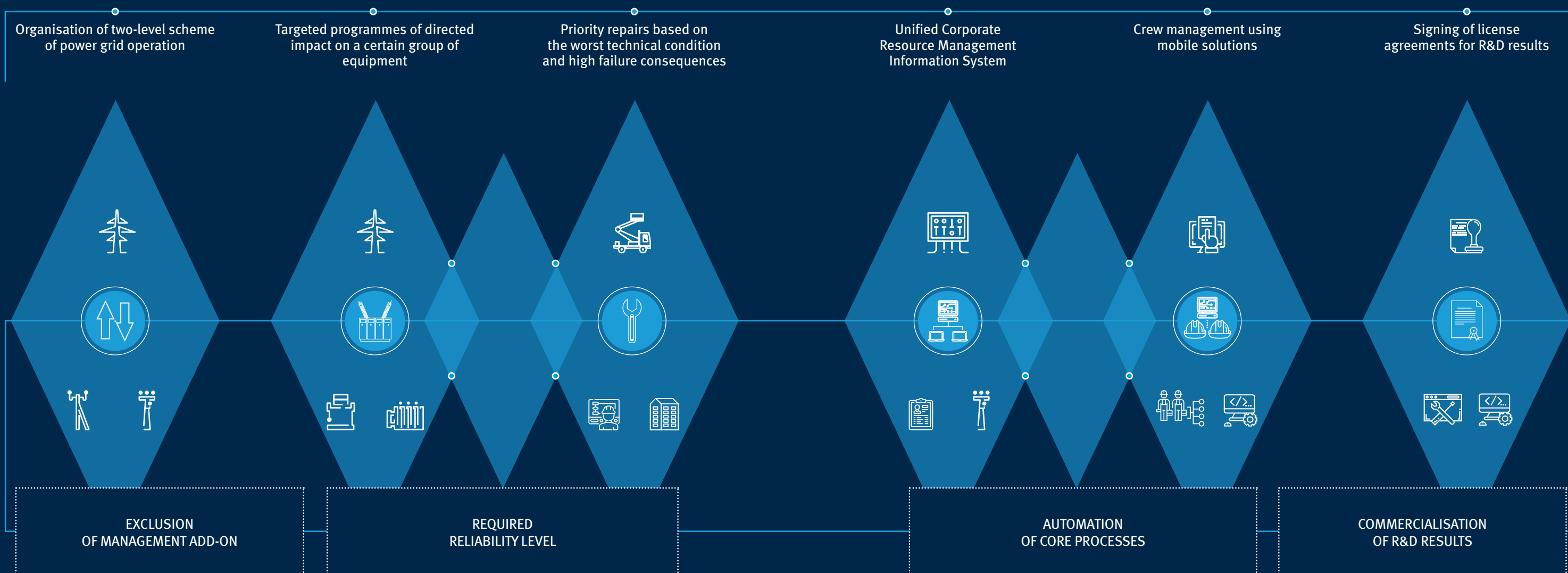
PROPERTY MANAGEMENT



- Enhancing the property management processes
- Simplifying the procurement procedures

APPLYING THE BEST MANAGEMENT PRACTICES OF IDGC OF CENTRE

PRODUCTION ACTIVITIES



SYNERGETIC EFFECT FROM THE APPLICATION OF BEST MANAGEMENT PRACTICES BY IDGC OF CENTRE AT IDGC OF CENTER AND VOLGA REGION

- Prompt implementation of management decisions
- Reduction in management costs

- Reduction of economic losses
- Lower number of emergency outages
- Reduction of average interruption time
- Cost optimisation

- Enhancing the industrial practices
- Increase in labour productivity
- Itemised cost accounting
- Less time for preparation of accounting source documents
- Higher efficiency of complaint handling

- Getting extra revenue

DEVELOPMENT STRATEGY



MARKET OVERVIEW

ELECTRIC POWER INDUSTRY OF RUSSIA

**System Operator
(SO UPS, JSC)**

Energy system management:

7 UNITED ENERGY
SYSTEMS
&
69 REGIONAL ENERGY
SYSTEMS

Generating companies)

Federal Grid Company
(FGC UES, PJSC)

Grid companies
(IDGCs, TGOs)

Electricity sales
companies

Electricity generation:

700
POWER PLANTS

with an aggregate capacity
of over 3,530,556 MW

Management of the Unified
National Electricity Grid of Russia.
Electricity transmission over
high-voltage (220 kV and above)
grids

Electricity transmission and
distribution over

0.4–110 kV
grids

Sales of electricity and
capacity to consumers

CONDITION OF THE UNIFIED ENERGY SYSTEM OF RUSSIA

According to the Report on Functioning of UES of Russia in 2017 prepared by JSC SO UES, electricity consumption at the Unified Energy System of Russia in 2017 amounted to 1,039.9 bn kWh (+1.3% year-on-year).

The power plants of UES of Russia generated 1,053.9 bn kWh (+0.5% year-on-year). According to current data, the total electricity consumption in Russia in 2017 amounted to 1,059.5 bn kWh (+0.5% year-on-year). Excluding the impact of February 29, 2016, electricity consumption in UES of Russia and total electricity consumption in Russia increased 1.6% and 0.8% year-on-year, respectively.

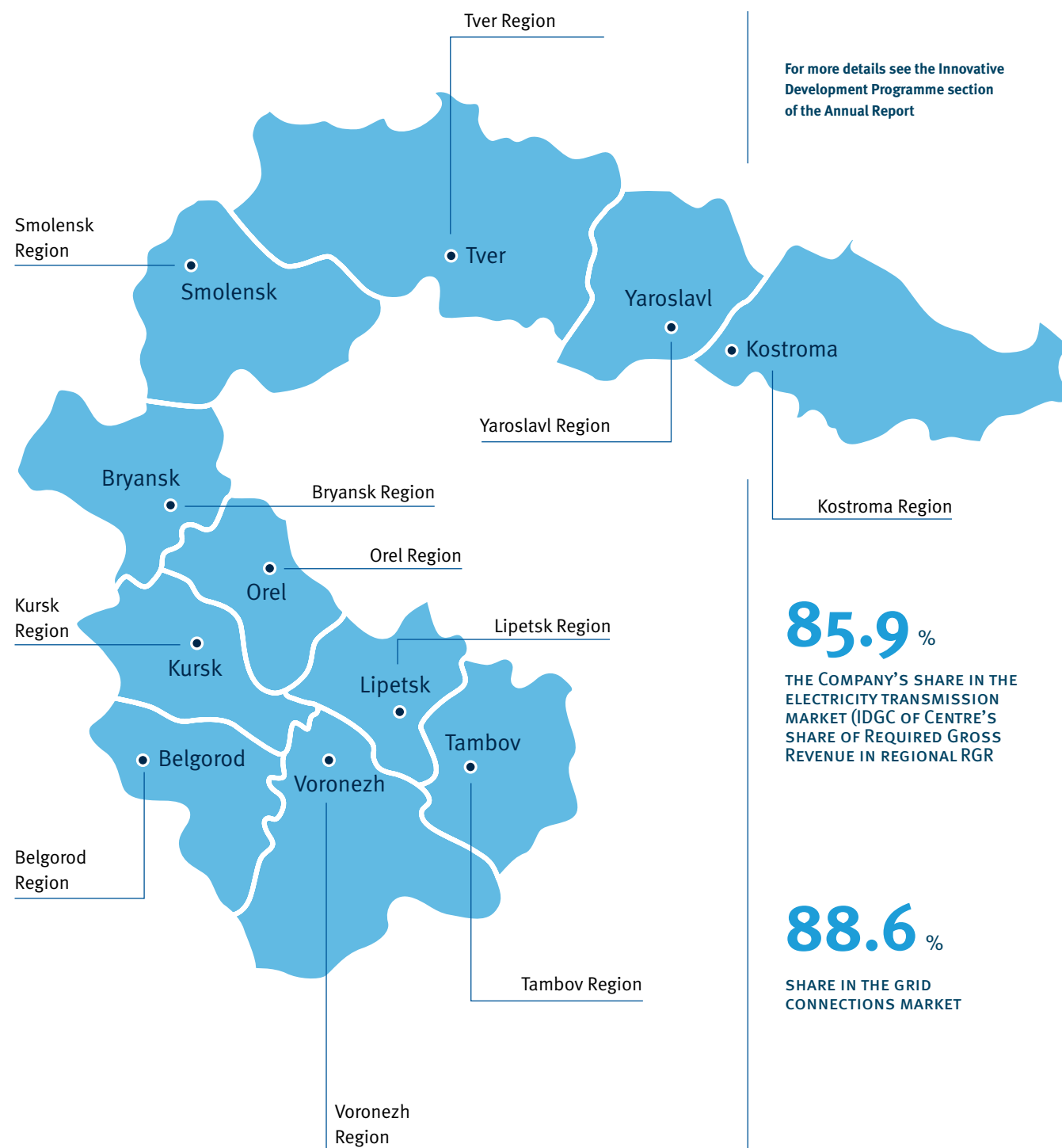
Generation of electricity in Russia in 2017 amounted to 1,073.6 bn kWh, (+0.2% year-on-year). Excluding the impact of an additional day of the leap year, generation of electricity in UES of Russia and total generation of electricity in Russia increased 0.8% and 0.5%, respectively.

Major development areas of the fuel and energy industry:

- ◆ decrease of anthropogenic impact on the environment;
- ◆ improvement of energy efficiency;
- ◆ introduction of modern resource saving technologies.

Retrofitting will be aimed at:

- ◆ development of smart power grid technologies;
- ◆ implementation of the Smart Grid and EnergyNet concepts;
- ◆ introduction of the automated protection and control systems for power substations (“digital substations”);
- ◆ development and introduction of new electrical, electromechanical and electronic equipment;
- ◆ common use of new construction materials, including composite ones;
- ◆ development of materials and technologies for wires;
- ◆ use of high-temperature superconducting materials.



Within the strategy of the sector development, the Company systematically introduces own energy-efficient development solutions: steel multi-sided anchor poles, composite poles of 10 kV power transmission lines, 10 kV transformers with a core made of amorphous steel and GIS power circuit breakers.

THE COMPANY'S POSITION IN THE INDUSTRY

IDGC of Centre's operations are concentrated in Central Russia, spanning 11 regions. Since its core business is electricity transmission, the Company has a natural monopoly on the market.

The other largest territorial grid organisations (TGO) operating in the regions covered by IDGC of Centre

Electricity Transmission and Distribution:

- ◆ Voronezh Municipal Power Grid, MUE (Voronezh Region)
- ◆ Kursk Power Grids, OJSC (Kursk Region)
- ◆ Lipetsk Municipal Energy Company, OJSC (Lipetsk Region)
- ◆ Oreoblenergo, JSC (Orel Region)
- ◆ Tambov Grid Company, PJSC (Tambov Region)
- ◆ United Power Grid Company, LLC
- ◆ Tvergorelektro, MUE (Tver Region).

Grid Connections:

- ◆ Oboronenergo, JSC;
- ◆ Bryanskelektro, LLC (Bryansk Region);
- ◆ Voronezh Municipal Power Grid, MUE (Voronezh Region);
- ◆ Kursk Power Grids, JSC (Kursk Region);
- ◆ Lipetsk Municipal Energy Company, JSC (Lipetsk Region);
- ◆ Oreoblenergo, JSC (Orel Region);
- ◆ Tambov Power Grid Company, JSC, Tambov Utility Systems, JSC (Tambov Region);
- ◆ Tvergorenergo, MUE, Opora, LLC (Tver Region);
- ◆ Rybinsk Municipal Power Grid, OJSC (Yaroslavl region).

BENCHMARKING OF IDGC OF CENTRE'S PERFORMANCE IN 2017 AGAINST PEERS

Revenues under RAS, RUB bn

Company	
MOESK	147.4
IDGC of Centre	91.1
IDGC of CVR	90.8
Lenenergo	74.7
IDGC of Urals	71.1
IDGC of Volga	59.1
IDGC of Siberia	51.8
IDGC of NW	44.3
Kubanenergo	42.3
IDGC of South	35.1
IDGC of NC	16.1
TDC	6.4

Nº 2

EBITDA, RUB bn

Company	
MOESK	33.9
Lenenergo	28.7
IDGC of CVR	23.4
IDGC of Centre	19.4
IDGC of Volga	12.0
IDGC of Urals	11.5
IDGC of Siberia	8.0
Kubanenergo	6.8
IDGC of South	6.3
IDGC of NW	3.0
TDC	0.7
IDGC of NC	0.2

Nº 4

Net profit under RAS, RUB bn

Company	
Lenenergo	12.6
IDGC of CVR	11.0
IDGC of Volga	4.6
IDGC of Urals	4.6
MOESK	2.7
IDGC of Centre	2.0
IDGC of Siberia	0.9
Kubanenergo	0.5
IDGC of South	0.5
TDC	0.2
IDGC of NC	-2.4
IDGC of NW	-2.4

Nº 6

Capitalisation as at December 29, 2017 (moex.com), RUB bn

Company	
Lenenergo	48.6
MOESK	44.0
IDGC of CVR	33.7
Kubanenergo	21.3
IDGC of Volga	19.2
IDGC of Urals	18.3
IDGC of Centre	15.1
IDGC of Siberia	10.9
IDGC of NW	4.9
IDGC of South	3.6
IDGC of NC	2.9
TDC	1.6

Nº 7

Trading volume on the Moscow Exchange (T+ trading mode), RUB bn

Lenenergo, ps	4.9
IDGC of CVR	3.1
IDGC of Centre	2.0
IDGC of Volga	2.0
MOESK	1.4
IDGC of Urals	0.9
Lenenergo, (ordinary shares)	0.5
IDGC of NW	0.3
IDGC of South	0.2
IDGC of Siberia	0.2
IDGC of NC	0.1
Kubanenergo	0.09
TDC, (preference shares)	0.05
TDC, (ordinary shares)	0.01

Nº 3

Daily average number of transactions on the Moscow Exchange (T+ trading mode)

Lenenergo, ps	565
IDGC of Centre	535
IDGC of CVR	455
IDGC of Volga	423
MOESK	271
Lenenergo, (ordinary shares)	206
IDGC of South	152
IDGC of Urals	141
IDGC of NC	106
IDGC of NW	101
IDGC of Siberia	69
Kubanenergo	31
TDC, (preference shares)	15
TDC, (ordinary shares)	3

Nº 2

DEVELOPMENT IN LINE WITH STRATEGIC PRIORITIES

MISSION

Ensure reliable and stable electricity supply to meet the evolving needs of the economy and society, with a fair transparent pricing that makes our services affordable to consumers.

CONSIDERATION OF STAKEHOLDERS' EXPECTATIONS

Investor Community



The Company's securities are a reliable investment that is callable, highly liquid and offers attractive yields.

Consumers



We deliver services in the shortest time possible, ensuring stable and reliable electricity supply and timely grid connections based on transparent procedures.

Local Authorities



We ensure support for local economies by matching electricity demand in the regional markets with our transmission capacity. We are a key partner of executive authorities across the Russian Federation in planning and delivering regional programmes for development of territories and have built a reputation as a responsible taxpayer and employer.

Employees



We are a well-structured company, with a transparent and clear corporate governance framework. We provide opportunities for employees to fully realise their personal potential, and offer fair remuneration.

STRATEGIC OBJECTIVES

The Company's strategic priorities are:



reliable, stable and affordable electricity supply to consumers



enhanced efficiency of resource utilization in core activities



enhancement of investment appeal

IDGC of Centre's Growth Outlook against Set Targets

Increased reliability, stability and availability of electricity supply

- ◆ implementation of the Uniform Technical Policy
- ◆ reduction in the number of faults and failure rates
- ◆ improved investment performance
- ◆ improved procurement performance
- ◆ improved customer service

Higher safety of power supplies

- ◆ implementation of the programmes to reduce (prevent growth in) occupational injuries and injuries to third parties at the electrical facilities
- ◆ implementation of the Environmental Policy focused on its environmental performance

Operational performance

- ◆ reduction in electricity losses in transmission and distribution grids
- ◆ reduced resource consumption for business needs
- ◆ reduced controllable costs (per unit operating costs)
- ◆ implementation of the Innovative Development Programme

Lower number of TGOs

- ◆ consolidation of grid assets by lease and acquisition of electrical grid facilities across the Company's geography.

Efficient interaction with stakeholders

- ◆ increased information transparency
- ◆ compliance with high standards of the corporate social responsibility
- ◆ support of the ongoing dialogue with target audiences for corporate reputation strengthening and growth of fair business value.

OPERATING REVIEW



ASSETS

Assets operated by IDGC of Centre¹:

Asset	Unit	2015	2016	2017
Substations, 0.4-110 kV	units	100,545	101,968	103,002
Installed capacity (total)	MVA	53,681.3	54,416.1	54,577.4
Substations, 35-110 kV	units	2,372	2,370	2,370
	MVA	34,243.3	34,469.1	34,456.9
Transformer substations, distribution transformer substations, 6-10 (35)/0.4 kV	units	97,336	98,734	99,763
	MVA	19,012.8	19,520.8	19,683
Distribution points, 6-10 kV	units	837	864	872
	MVA	425.2	426.3	437.5
ROW length of overhead lines, 0.4-110 kV	km	382,540.0	385,016.5	386,406.6
Overhead lines, 110 kV and above	km	21,637.9	21,598.7	21,607.2
Overhead lines, 35 kV	km	30,388.3	30,397.9	30,385.6
Overhead lines, 6-10 kV	km	171,821.9	172,065.1	172,359.2
Overhead lines, 0.4 kV	km	158,691.9	160,954.8	162,054.7
Length of cable lines, 0.4-110 kV	km	17,156.1	18,043.5	18,593.5
Cable lines, 110 kV and above	km	36.4	36.4	36.4
Cable lines, 35 kV	km	25.8	25.8	45.9
Cable lines, 6-10 kV	km	9,141.5	9,716.7	10,056.3
Cable lines, 0.4 kV	km	7,952.4	8,202.3	8,477.0

¹ Including finance lease, operating lease, and equipment under maintenance contracts.

Reliability of fixed assets

Indicator	Unit	2015	2016	2017	Change 2017/2016	
					abs.	%
Human error incidents	Number	1	0	1	1	100
Sustained outages of 35-110 kV transformers	Outage	102	105	82	23	21.9
Average interruption time (for 6-110 kV feeders)	Hours	2.17	2.26	2.34	0.08	3.5

Faults

Indicator	Unit	2015	2016	2017	Change 2017/2016	
					abs.	%
Faults	Fault	16,736	14,455	13,033	1,422	9.8
Failure rate	Number per 1,000 equipment units	7.79	6.52	5.67	–	13

The Company implemented the repair and investment programmes to the fullest extent to support the reliability of the grid facilities. This allowed to improve the failure rate indicators in 2017 up to 5.67 (-13% vs 2016). Reliability indicators have not decreased, this demonstrates lower failure rate and higher reliability of power supply to consumers.

All major operational facilities of IDGC of Centre are insured to minimise the impact of potential failures.

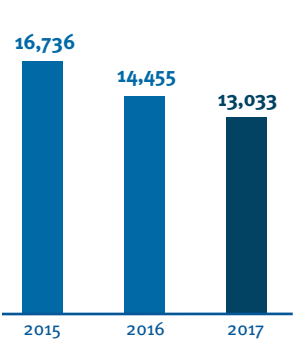
PRODUCTION ASSET MANAGEMENT SYSTEM

The Production Asset Management System (the “PAMS”) is implemented in line with the Plan for the Development of the Production Asset Management System of IDGC of Centre for 2016-2018.

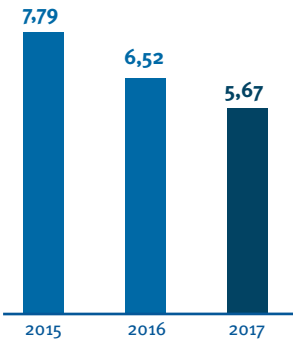
The PAMS is based on equipment certification, statistical availability data filing, performances of the equipment, as well as continuous updating of data on its technical condition and current parameters. So, the PAMS allows to obtain the statistical data on equipment and the results of its operation; to optimize the periods and types of impacts on the equipment (repair, maintenance) in order to improve the efficiency of measures without growth of costs for equipment operational condition maintaining; to obtain management information necessary for analysis of production process efficiency. The PAMS allows to automate the majority of production processes according to approved mechanisms of the Company’s business processes.

According to the Plan for the Development of the Production Asset Management System of IDGC of Centre for 2016-2018, the costs accounting for maintenance, diagnosis, engineering certification will be automated, and the updating of an electronic defect log is in progress. Integration of the Company PAMS into the system for ROSSETI network reports collection and analysis, as well as development and correction of the reporting forms are implemented.

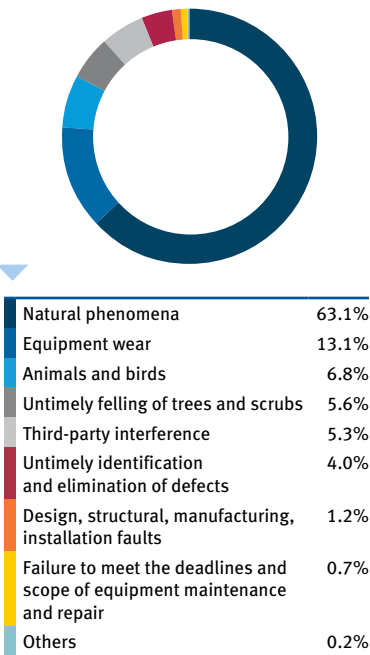
Dynamics of numbers of faults at the facilities



Dynamics of failure rate per 1,000 equipment units



Major failure causes in 2017, %



5.67
(-13%)
FAILURE RATE IN 2017

MAINTENANCE AND REPAIR PROGRAMME

The Annual Repair Programme is implemented by IDGC of Centre; it is developed on the basis of perspective (multiyear) schedules for the grid facilities repair.

In 2017, the costs for maintenance and repair by own resources were RUB 2,471,146,800 vs planned RUB 2,284,257,400 (108.2%), the costs for contract maintenance and repair were RUB 683,654,400 vs planned RUB 653,905,300 (104.6%).

Costs totalled RUB 3,154,801,200 vs planned RUB 2,938,162,700 (107.4%). Excess in costs is attributed to additional volume of works (including emergency response actions, complying with comments of regulatory authorities, as well as additional unscheduled works in the context of preparation for autumn and winter 2017/2018 period).

3.15 RUB BN
(107.4% of the plan)
SPENT FOR MAINTENANCE AND REPAIRS IN 2017

Performance under the Repair Programme at IDGC of Centre in 2016-2017:

Repair	Unit	2016	Plan in 2017	Actual in 2017
Overhead line right-of-way tree clearing	Ha	11,359.5	11,400.5	11,708.6
Replacement of ground wire	km	72.0	58.67	68.9
Replacement of insulators	units	146,767	125,234	153,668
Repair of power transformers	units	1,175	1,491	1,762
Repair of circuit breakers	units	2,991	2,116	2,324
Repair of isolating switches, short-circuiting switches, disconnecting switches	units	2,240	1,464	1,839
Repair of 35-110 kV substation by complex method	units	185	162	162
Repair of 35-110 kV overhead lines	km	4,559.5	4,368.2	4,453.4
Repair of 0.4-20 kV power transmission lines	km	12,466.5	11,445.9	11,774.4
Repair of 6/10-0.4 kV transformer substations, distributing points	units	5,048	4,408	4,949
Repair of 0.4-110 kV power transmission lines	km	17,026	15,814.1	16,227.8

Strategy and Development Prospects of IDGC of Centre

Repair	Unit	Plan in 2018
Repair of 0.4-110 kV power transmission lines	km	14,506.8
Repair of substations and transformer substations	units	4,294

CONSOLIDATION OF GRID ASSETS

One of the strategic priority of IDGC of Centre is to reduce the fragmentation degree of the territorial grid organisations (the “TGO”) and to enhance monitoring over them.

Integrating grid facilities is essential for building an industry-wide, uniform power grid space and a single centre of responsibility for efficient and reliable power supply to consumers. Integration improves the overall operation of the energy system.

The Programme of Consolidation of Power Grid Assets of IDGC of Centre for 2016–2018 sets out scheduled consolidation events and performance targets of the Company in the covered regions.

Scope of power grid asset consolidation in 2015-2017

IDGC of Centre	2015			2016			2017		
	Scope of power grid asset consolidation for the period			Scope of power grid asset consolidation for the period			Scope of power grid asset consolidation for the period		
	MVA	km	conventional units	MVA	km	conventional units	MVA	km	conventional units
Total	638	4,982	25,068	835	5,714	29,069	881	5,639	31,392
Grid facilities acquired	49	369	2,096	3	8	76	84	376	2,748
Grid facilities in operating lease	526	3,667	19,796	753	4,870	26,414	705	4,979	27,340
Other (permanent ownership and usage rights)	64	940	3,163	74	809	2,479	31	245	845
Other (temporary ownership and usage rights)	0.320	6	13	5	27	101	61	39	458

Number of TGOs in the regions of the Company's activity reduced by 13% during the reporting period, from 162 to 141 units. Plans for 2018 include actions focused on the consolidation of power grid assets primarily for the Voronezh region, the Yaroslav region, the Tver region, and the Kursk region.

DOWN TO 141

(-13%)
REDUCTION OF TGOs NUMBER
IN REGIONS OF THE COMPANY'S
OPERATION

881

MVA

(+38% vs 2015)
INCREASE IN THE SCOPE
OF CONSOLIDATED POWER
GRID ASSETS

OPERATIONAL HIGHLIGHTS

ELECTRICITY TRANSMISSION SERVICES

Electricity consumption in 2017 was 53,392.9 mn kWh, it is 1.0%, or 508 mn kWh more than in 2016 in comparable terms (without considering the volumes of “last mile” in the second half year 2016). Increase of net electricity delivery in relation to the planned target was 2.2%, or 1,115.3 mn kWh, it became the main factor increasing the revenues for electricity transmission services by 3.9%, or RUB 3,319.5 mn vs the plan.

Services provided

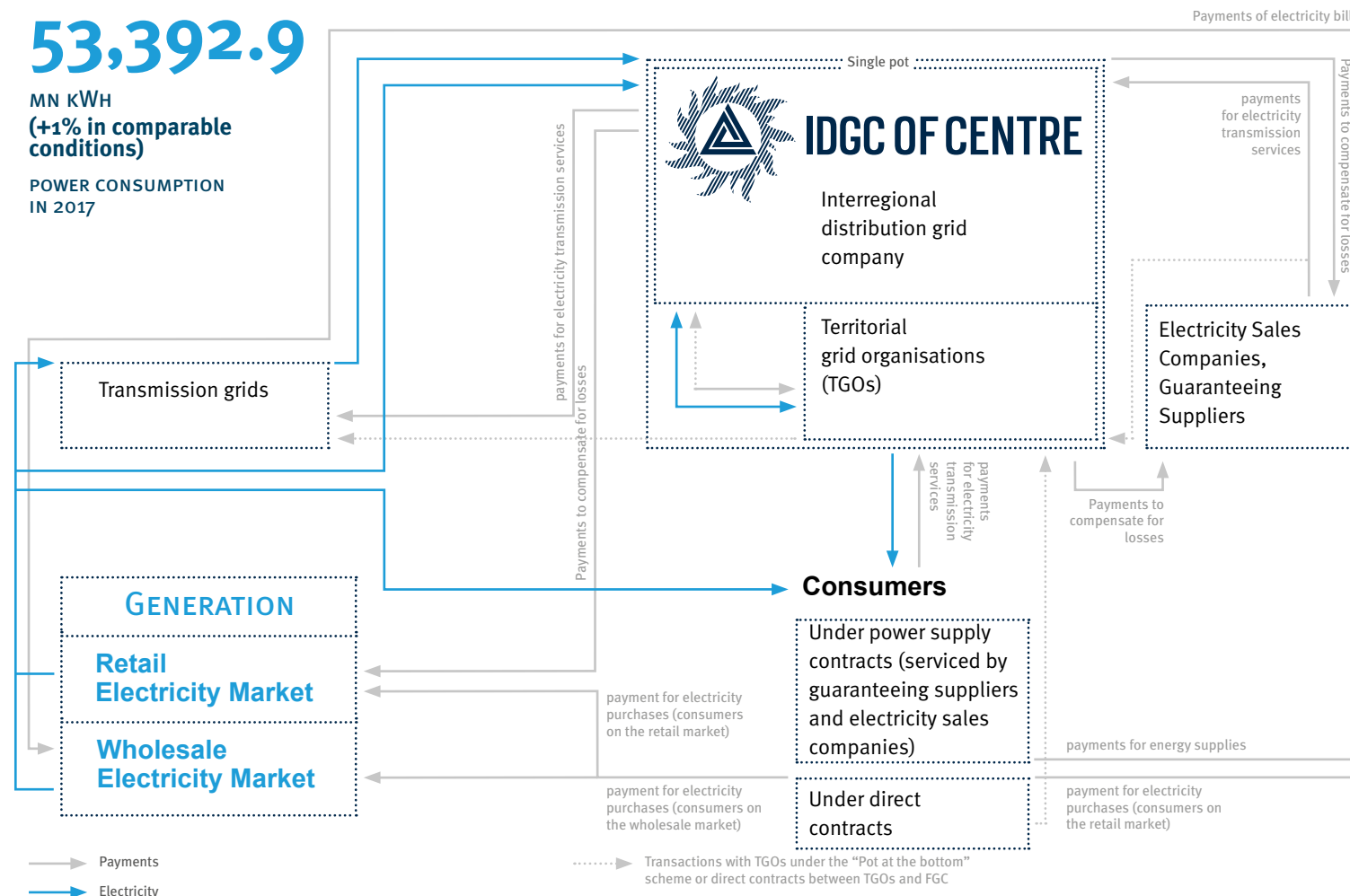
Power transmission services provided, mn kWh¹

Indicator	2015	2016	2017	Change	
				mn kWh	%
Electricity delivered to the grid	62,556.3	64,057.8	59,234.8	-4,823	-7.53
Net electricity delivered (according to the balance sheet attribution of the Company's branches)	56,706.0	58,063.3	53,392.9	-4,670.4	-8.04
Electricity losses	5,850.3	5,994.5	5,841.8	-152.7	-2.55
Power transmission services provided	54,782.5	56,177.4	51,718.6	-4,458.8	-7.94

As at the end of 2017, the volume of power transmission services decreased by 4,458.8 mn kWh, or 7.94% year-on-year.

¹ Power transmission volumes broken down by the company's branch are available in appendix 3.2 to the annual report (full version).

Payment scheme for power transmission services provided



Key drivers for decrease:

- ◆ exclusion of the last mile net delivery volumes from the electricity balance according to clause 7 of the Federal law dated March 26, 2003 No.35-FZ "On Electric Power Industry" (branches: Belgorodenergo, Kurskenergo, Lipetskenergo, Tambovenergo)
- ◆ decrease of power consumption volumes by the consumers of the Yarenergo branch:
 - Transneft-Baltika LLC
 - GazpromtransgazUkhta LCC

On the basis of IDGC of Centre activity results, the volume of grid power delivery to consumers and to related TGOs within the balance and operational responsibility in 2017 was 53,392.9 mn kWh, which is lower vs 2016 by 8.04%. This is caused by termination of the last-mile contracts and decrease of power consumption volumes.

Power delivery structure

Delivery structure by voltage

110-kV grids take up the bulk of the electricity delivered by IDGC of Centre's grids, accounting for 58.82% of total electricity delivered. More than 40% of net electricity delivered to 110 kV grids is supplied to industrial consumers.

Three major metallurgical industry plants make up about 10% of total net electricity delivered.

High-voltage level consumption decreased by 12.8% year-on-year, driven mostly by exclusion of the last mile net delivery volumes from the electricity balance, decrease of consumption volumes by a number of major oil and gas transportation companies.

Medium (10 kV) and low (0.4 kV) electricity consumption also grew, driven mostly by increasing consumption by agribusinesses, municipal utilities and domestic consumers.

Delivery structure by consumer category

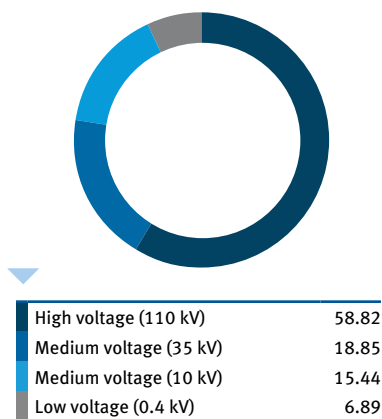
Industrial consumers (30.13%), TGOs (29.04%), and domestic consumers, including equivalent consumer groups (14.33%), have traditionally been the largest consumer categories by delivery volumes.

In 2017, the categories of TGOs and domestic consumers grew year-on-year and the category of industrial consumers decreased, driven mostly by exclusion of the last mile net delivery volumes from the electricity balance.

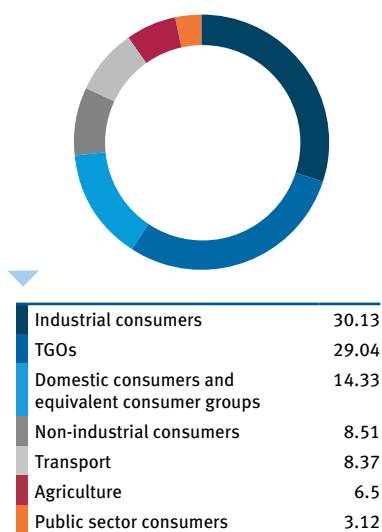
Electricity consumption from the Company's grids by the top 10 consumers in 2017

No.	Branch	Consumer	Electricity consumption, mn kWh	Share of net electricity delivered, %
Net electricity delivered in 2017 from the grid			53,393	100.0
1	11 branches	Russian Railways, OJSC	3,299.3	6.2
2	Lipetskenergo	Novolipetsk Steel, PJSC	2,020.6	3.8
3	Belgorodenergo	Oskol Electrometallurgical Plant, JSC	1,820.4	3.4
4	Voronezhenergo	MUE Voronezh Municipal Power Grid	1,678.2	3.1
5	Bryanskenergo	Bryanskoblenergo LLC	1,641.7	3.1
6	Kurskenergo	KMA Electro LLC (Mikhailovsky Mining and Beneficiation Plant, PJSC)	1,288.1	2.4
7	Kurskenergo	Kursk Power Grid, JSC	1,086.2	2.0
8	Lipetskenergo	Lipetsk City Power Company, JSC	1,078.3	2.0
9	Orelenenergo	Oreoblenergo, JSC	851.9	1.6
10	Tverenergo	MUE Tvergorelectro	755.7	1.4
Total for the 10 top consumers			15,520.4	29.1

Electricity supplies by voltage in 2017, %



Electricity supplies by consumer category in 2017, %



Reduction of electricity losses

Dynamics of electricity losses, %

Indicator	2015	2016	2017	Change
Actual losses	9.35	9.36	9.86	0.50 p.p.
Target losses	9.44	9.38	10.21	
For reference: electricity losses in terms of electricity balance in 2017	10.39	10.28	9.86	−0.42 p.p.

Annual loss reduction due to implemented measures

Measures	Savings, mn kWh	Savings, RUB mn
Organisational measures	173	413.6
Technical measures	14	36.3
Measures to improve metering arrangements	20.3	53
Total	207.3	502.9

In relation to electricity supplied to the grid by IDGC of Centre, the losses in 2017 amounted to 9.86%, and 9.36% in 2016. An increase in the reported losses was due to lower supply of electricity to the grid, resulting from the exclusion of the last mile volumes of 5,205 mn kWh from the balance, the integration of grid assets in Semiluki and Rzhev.

Electricity losses in 2016 (in comparable terms of 2017) were 10.28%, which means that electricity losses in 2017 decreased by 209.8 mn kWh, or 0.42% against 2016.

In 2017, measures to optimise (reduce) electricity losses yielded savings of 207.3 mn kWh (RUB 502.9 mn).

In 2017, 4,329 metering points were upgraded at a cost of RUB 180.806 mn (vs the target of 4,782 metering points upgraded at the target cost of RUB 205.902 mn).

In its efforts to reduce electricity losses, IDGC of Centre takes measures to detect and suppress consumption of electricity without proper contract and metering in place.

These measures yielded the following results in 2017:

- ◆ 15.5 mn kWh, worth a total of RUB 53.5 mn, consumed without contract were paid for;
- ◆ 135.3 mn kWh of unmetered supply, worth a total of RUB 357.5 mn, were included in net delivered volume.

ACTUAL ELECTRICITY LOSSES IN 2017 AMOUNTED TO 5,841.8 MN KWH, OR 9.86% (−0.42 P.P.) OF TOTAL ELECTRICITY SUPPLIED TO THE GRID.



Data on electricity losses broken down by the Company's branch are available in Appendix 3 to the Annual Report on the Company's website

GRID CONNECTIONS

Grid connection procedure

Grid connection (the “GC”) of new consumers to electrical grids is fully regulated by the Government:

- ◆ connection procedure and timeframe are set by the Rules for the Connection of Consumer Terminals of Electricity Consumers, Generating Facilities and Grid Facilities Owned by Grid Companies and Other Persons to Electrical Grids, approved by Resolution of the Government of the Russian Federation No. 861 dated 24 December 2014;
- ◆ connection fees are approved by tariff regulators of constituent entities of the Russian Federation.

Demand and service provision

Application-based grid connections in 2015-2017, app.

Indicator	2015	2016	2017	Change	
				abs.	%
Number of submitted applications	60,542	58,815	54,282	−4,533	−7.7
Number of signed contracts	49,570	48,409	44,619	−3,790	−7.8
Number of executed contracts	63,302	46,173	42,314	−3,859	−8.4

Application-based grid connections in 2015-2017, MW

Indicator	2015	2016	2017	Change	
				abs.	%
Required capacity	3,450	2,702	2,527	−175	−6.5
Total maximum capacity under signed contracts	1,436	968	864	−104	−10.7
Connected capacity	1,137	1,078	866	−212	−19.7

Connected load structure by consumer category

Category of applicants	2015	2016	2017	Change	
				abs.	%
Up to 15 kW inclusive	643.6	465.1	433.6	31.5	6.8
More than 15 kW and up to 150 kW inclusive	103.3	97.9	99.6	+1.7	+1.7
More than 150 kW and less than 670 kW	161.6	166.2	101.9	−64.3	−38.7
At least 670 kW	216.5	324.4	229.9	−94.5	−29.1
Generation	11.5	24.3	0.8	−23.5	−96.7
Total	1,136.5	1,077.9	865.8	−212.1	−19.7

The last three years showed the decline in demand on grid connection. Number of GC applications received by IDGC of Centre in 2017 was 54,300 (−7.7% vs 2016), required capacity also reduced by 6.5%. Significant power reduction as per GC contracts implemented in 2017 (−19.7%) is due to failure of major applicants to perform activities on concluded contracts.

Reduction of total connected capacity has been observed during the last three years in the Company. In 2017, the largest decline was reported in the “More than 150 kW and less than 670 kW” applicant category (by 32.3%). It is resulted from significant reduction of maximum capacity as per contracts concluded in 2016.

UP TO 46 %

(+6 p.p.)

INCREASE OF THE
INDIVIDUALS’ SHARE
IN THE CONNECTED
CAPACITY STRUCTURE
IN 2017

Structure of connected capacity by sector

Category of applicants	2015	2016	2017	Change	
				abs.	%
Individuals	594.0	427.2	395.4	−31.8	−7.4
Agriculture and forestry, fishing	72.9	121.4	89.7	−31.7	−26.1
Industrial manufacturing	43.4	68.6	50.8	−17.8	−25.9
Electricity, gas and water utilities	39.9	137.4	76.9	−60.5	−44.0
Construction	110.8	92.5	78.5	−14	−15.1
Trade	50.2	40.2	28.5	−11.7	−29.1
Transport and telecoms	9.7	6.6	7.4	0.8	+12.1
Healthcare, education, social services	20.0	7.9	12.4	4.5	+57.0
Other	195.6	176.1	126.2	−49.9	−28.3
Total	1,136.5	1,077.9	865.8	−212.1	−19.7

Required capacity structure by applicant category

Category of applicants	2015	2016	2017	Change	
				abs.	%
Up to 15 kW inclusive	580.1	582.1	540.0	−42.1	−7.2
More than 15 kW and up to 150 kW inclusive	220.2	231.1	278.1	47.0	+20.3
More than 150 kW and less than 670 kW	402.2	309.1	276.9	−32.2	−10.4
At least 670 kW	1,595.2	1,424.2	1,204.3	−219.9	−15.4
Generation	652.6	155.5	227.9	72.4	+46.6
Total	3,450.3	2,701.9	2,527.1	−174.8	−6.5

In 2017, the largest decline in required capacity was reported in the “More than 150 kW and less than 670 kW” applicant category (by 14.5% against 2016). Nevertheless, the decline in total required capacity was 6.5%. In 2017, this was due to year-on-year growth of 46.6% in the required capacity of applicants’ generating sets. In the reporting year, the Yarenergo branch accepted the application for implementation of grid connection of CCP – CHPP Rybinsk, LLC generating sets designed for 223.6 MW.

Implementation of the target model of GC by the constituent entities of the Russian Federation

Personal account (<https://lkk.mrsk-1.ru/>) is created at the official web-site of IDGC of Centre to improve and simplify the procedure of grid connection; the applicants can file an application and conclude GC contract, and to monitor the GC progress. Additionally, the Company branches on a regular basis carry out consulting and explanatory work with the applicants as related to GC activities performed by the Company. IDGC of Centre official web-site allows for preliminary calculation of payment for GC by means of a special calculator.

In order to speed up the procedure of grid connection, IDGC of Centre concluded the framework contracts with the contracting organisations for execution of works on power grids construction and modernisation.

In 2014, the Company branches arranged interaction with regional executive authorities of the constituent entities of the Russian Federation, so during 2014 and 2015 the decisions were taken and changes were made in the regional legislation as related to cancellation of mandatory obtaining a permit for construction of grid facilities with voltage level below 20 kV; reduction of time period for issuing the authorization documents for use of land plots, which are in state or municipal ownership, by the grid companies; coordination of works among the owners of linear facilities, and other issues of regulatory control.

Improvement of the grid connection procedure

IN 2017, IN ORDER TO REDUCE CONNECTION COSTS AND EXECUTION TIME OF CONNECTION CONTRACTS, IDGC OF CENTRE INCREASED (UP TO 64.6% OF TOTAL AMOUNT) THE SHARE OF ACTIVITIES CARRIED OUT USING ITS OWN RESOURCES.



User Account



The grid connection fee is calculated with use of special calculator

65

DAYS

(-17%)

AVERAGE GRID CONNECTION TERM IN 2017

Dynamics of ongoing GC contracts

Year	2015		2016		2017	
	q-ty	%	q-ty	%	q-ty	%
Contracts in force as of the end of the period	24,117	–	23,533	–	23,269	–
including ones with the measures on the part of grid company	16,285	–	15,840	–	16,022	–
implemented using own resources	6,784	41.7	9,625	60.8	10,353	64.6
implemented by third-party contractors	9,501	58.3	6,215	39.2	5,669	35.4

Average period for GC contracts implementation according to the results of 2017 was 65 days, which is 13 days less than in 2016 (78 days) and 80 days less than in 2015 (145 days).

ADDITIONAL SERVICES

Types of additional services

Apart from the regulated services, IDGC of Centre is focused on enhancing its offering of additional services to better serve the needs of its customers and capture additional revenue streams from services offered at non-regulated prices. The key additional services include:

- ◆ Set-up of outdoor lighting systems;
- ◆ Electrical grid and equipment maintenance and repair services;
- ◆ Customization of power grid facilities for customers;
- ◆ Provision of technical resources;
- ◆ Equipment testing and diagnostics;
- ◆ Meter installation and replacement;
- ◆ Services related to grid connection and typically performed by a customer (“Grid Connection Support”);
- ◆ Energy audit and energy services;
- ◆ Engineering, design and construction of grid facilities

Development of additional services

In 2018, IDGC of Centre plans to develop the following types of additional services:

- ◆ automating the contract preparation procedure to reduce the contract execution period;
- ◆ providing services by telephone via the Call centre;
- ◆ introducing new additional services for legal entities.

These services are provided on a commercial basis and are not regulated by the government.

A contract on some types of additional services may be concluded as an invoice contract. Applications for additional services are accepted in consumer service offices, in electrical grid regions, and at Company’s website in “Feedback” tab.

Demand for additional services

Number of requests for additional services, thou. pcs

Indicator	2015	2016	2017	Change	
				thou. pcs	%
Number of requests for additional services	169	186	181	–5	–2.7

CUSTOMER RELATIONS

THE MAIN GOAL OF IDGC OF CENTRE IN CUSTOMER RELATIONS IS TO BUILD CUSTOMER LOYALTY THROUGH DRIVING CUSTOMER EXPERIENCE AND MEETING BOTH THEIR SHORT AND LONGER-TERM NEEDS.

Customer relations policy

Principles of customer relations:

- ◆ identification and satisfaction of reasonable requirements of customers (consumers),
- ◆ continuous monitoring of customer expectations and satisfaction,
- ◆ ensuring a reliable, uninterrupted power supply to good customers (consumers) of the Company,
- ◆ availability of services to customers (consumers).

Customer relations in IDGC of Centre are governed by the Customer Service Quality Standard approved by the Board of Directors. For details on this document, please visit IDGC of Centre’s website.

IDGC of Centre embraces a customer-centric approach based on regular interaction with customers, tracking and analysing their needs and monitoring consumers’ opinions of the customer service quality. The approach includes risk analysis, identification of mutually beneficial solutions, and constructive resolution and prevention of conflicts. The Company uses customer feedback to adjust its operations to better meet the customers’ needs and expectations.

The Company guarantees its customers an objective and unbiased review of their requests and complaints within the prescribed timeframes and upholds their right to appeal.

The procedure of requests and complaints review pursues the principle of good faith of a customer. When reviewing requests of private customers representing the vulnerable social groups, unincorporated or small entrepreneurs, it is assumed that these customers lack the legal and technical knowledge on power supply issues.

The Company offers three types of customer service: in-person service and remote service, which includes interactive service. Data from customers are received via special dedicated channels.



The Customer service quality standard is available on the Company’s website.



A complete list of consumer service offices operated by IDGC of Centre is available on the Company’s website

¹ Other channels include: fax, telephone of branches (Customer Relation Centres, Customer Service Offices), hotline of IDGC of Centre

Basic forms of communication with consumers

Requests reception channel	Requests submission/reception method	Requests types
Consumer Service Offices Consumer Relation Centre	Customer visit	Application Complaint Consultation Feedback Proposal Provision of information
Company’s department	Russian Post Customer visit Tel Fax	
	Tel SMS MMS Voice mail	
Call centre	E-mail	
Internet reception service	E-mail	
Client mailbox	Customer visit	

Statistics on Consumer Requests

Numbers of Customer Requests by Communication Channel

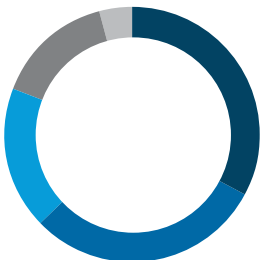
Numbers of customer requests by communication channel	Number of requests			Change, %
	2015	2016	2017	
In-person requests	346,693	334,083	319,484	−4.4%
Remote requests via a call centre	648,085	627,702	596,999	−4.9%
including requests concerning power supply made via hotlines	459,813	435,233	428,073	−1.7%
Written requests via administrative offices	4,683	5,285	7,077	33.9%
Remote interactive requests via virtual reception / personal account / online helpdesk / e-mail	4,309	9,964	15,777	58.3%
Other ¹	14,942	13,602	24,466	79.9%
Total	1,018,712	990,636	963,803	−2.7%

In the reporting year, number of requests via interactive communication channels grew significantly (by 58.3% against 2016).

In the reporting year and year earlier, information messages on outages accounted for the largest share of customer requests (growth by 2 p.p. against 2016), followed by applications for services (at the level of 2016) and requests for information (down 3 p.p. against 2016).

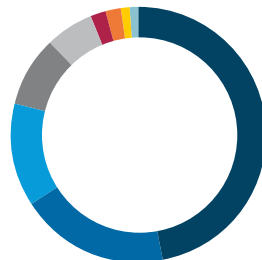
As in previous years, the most common reason for consumer requests was power outage (+2.2 p.p.), followed by applications for additional services (+0.2 p.p.), and matters related to grid connection (+0.6 p.p.).

Consumer requests by category



Provision of information	33
Applications for services	30
Requests for information/advice	18
Complaints	15
Consumer’s feedback about the Company’s services	4

Consumer requests by purpose



Power outage	47
Additional Services	19
Grid connection	13
Other	9
Electricity billing metering	6
Maintenance of grid facilities	2
Electricity distribution	2
Quality of customer service	1
Contact data	1

Service reliability and quality assessment

In 2017, integral assessment of customer satisfaction with the services quality was 4.56 points on a five-point scale based on the feedback from customers.

Service quality indicator is a measure of the Company’s performance in consumer relations. Targets for each branch of the Company are set every year by tariff regulators of constituent entities of the Russian Federation. Its officers using data obtained via telephone interviews and surveys with written responses (including interactive surveys) assess the Company’s performance. Customers can also rate the quality of the Company’s services by filling a questionnaire on service quality offered by IDGC of Centre.

In 2017, the questionnaire survey involved 20,459 consumers of services of IDGC of Centre, PJSC. The survey showed that in 2017 quality of the service of branches of IDGC of Centre, PJSC was at about the same level as in 2016.

In the reporting period, the following initiatives were implemented:

- ◆ requests reception from customers via messengers; Call centre operators process request messages;
- ◆ option for customers to check the power outage information at website of IDGC of Centre;
- ◆ option in the user account at Company’s website to sign contracts using electronic signatures; monitoring of status and terms of application processing is enabled.

In 2018, the Company plans to implement the following initiatives:

- ◆ optimizing the network of the Customer Service Offices;
- ◆ introducing new additional services for legal entities.



Customers can also rate the quality of the Company’s services by filling a questionnaire on service quality offered by IDGC of Centre

4.56

THE INTEGRAL RATAING OF CUSTOMER SATISFACTION WITH SERVICE QUALITY IN 2017

In 2018, IDGC OF CENTRE WILL INTRODUCE NEW ADDITIONAL SERVICES FOR LEGAL ENTITIES

Customer satisfaction level

Parameter	Mean value, point
Customer Service	
Convenience of service request submission	4.68
Company's opening hours	4.70
Adequacy / illiteracy of personnel receiving the request	4.75
Waiting time when submitting request (not more than 20 min allowed)	4.71
Simplicity and availability of information materials required for request execution	4.69
Convenience of service payment ways offered by the Company (availability / non-availability of payment terminal, cashpoint)	4.47
Consulting on issues of interest, including additional information on third-party organisations	4.72
Office equipment of customer servicing points	4.64
Grid connections	
Time for offer / draft contract preparation	4.66
Time of contract works executed by grid organisations	4.60
Quality of contract works accomplished	4.67
Power transmission	
Frequency of power outages	4.46
Duration of power outages	4.48
Frequency of voltage drops	4.49
Responsiveness of Company's personnel in emergency / incidents	4.56
Additional services	
Time for application processing and offer / draft contract preparation	4.75
Cost of works under the service contract	4.64
Timeliness of execution of works under the contract by grid organisation	4.79
Quality of contract works accomplished	4.81
Neatness of Company's employees during works execution	4.80
Culture of employees' communication during works execution	4.81

In 2017, service quality indicators did not exceed the set targets.



The results of service quality assessment for different branches are available in Appendix 3.3 to the Annual Report on the Company’s website

INNOVATIVE DEVELOPMENT PROGRAMME

Innovative development of IDGC of Centre is governed by the Innovative Development, Energy Saving and Energy Efficiency Improvement Policy of PJSC ROSSETI approved by the Board of Directors of IDGC of Centre, PJSC (Minutes No.15/14 dated June 23, 2014).

The Innovative Development Programme of IDGC of Centre is applied consistently for the period 2016-2020 with an outlook to 2025.

The Programme seeks to develop IDGC of Centre as the leading high-tech and achieve a balanced growth of the power sector in the regions in which the Company operates by improving reliability, quality and cost efficiency of consumer power supply through innovative modernisation of power grids to transform them into a smart core of the power sector's technological infrastructure.

The Programme is updated on annual basis to reflect changes in the environment and meet the evolving requirements to the Company. To this end, we monitor the Programme's implementation by reviewing our progress over the period, changes in external factors, requirements, and constraints, and keeping abreast of industry trends and growth forecasts for the power sector.

The Programme comprises initiatives designed to improve existing operations and business processes of the Company, introduce new technologies, launch new products and services on the market, grow the R&D potential of the industry, and build the relevant infrastructure and talent pool.

In 2017, the Innovative Development Programme was mainly focused on the following key areas:

- ◆ transition to digital substations operating at different voltages;
- ◆ transition to digital smart grids with a distributed intellectual automation and control system;
- ◆ transition to integrated business processes and automation of control systems;
- ◆ new technology solutions and materials in power engineering;
- ◆ R&D initiatives.

Implementation of the innovative development programme in 2017, RUB mn (excl.VAT)

No.	Innovative development area	Planned Costs	Actual Costs
1	Transition to digital substations operating at different voltages	26.86	4.0
2	Transition to digital smart grids with a distributed intellectual automation and control system	131.84	174.85
3	Transition to integrated business processes and automation of control systems	19.67	160.38
4	R&D initiatives	42.62	46.6

The transition of the power sector to the digital technologies drove the re-distribution of the costs to expand financing of the areas related to the creation of digital grids in order to ensure observability, automatic control and to enhance the reliability of electricity supply to consumers.

The Company achieved the R&D financing targets set by PJSC ROSSETI.

46.6 RUB MN
(109% above plan)
R&D COSTS IN 2017

Progress on major projects and initiatives under the Innovative Development Programme in 2017

The “digital substation” technology was applied to construct the 6 kV distributing point of the 110 kV Zapadnaya substation No.14. We used IEC-61850-compliant relay protection and automation (“RPA”) equipment and telemetry and telecommand system (the “TTS”): 10 RPA terminals, exact time server – data acquisition and transmission unit (DATU) server, LAN controlled switch.

Local networking was built from terminals to switches and from switches to the server. RPA terminals interacts via GOOSE-messages. The transfer of information to the upper level and telecommanding is via MMS protocol.

This solution allowed to approbate digital technologies for energy facilities under strict reliability requirements in restrained urban conditions. At present the facility is under full remote control and management. Digital technologies offer the large volume of comprehensive information on the energy facility and implement a conceptually new approach to management and control without human involvement.

Transition to digital smart grids with a distributed intellectual automation and control system

We focused on five key directions.

Automation of distribution grids with integration of 10 kV reclosers into the control system (one of the 6-10 kV smart distribution grids construction elements).

In total 66 reclosers were installed.

Advantages of their use:

- ◆ switching free-of-damage section of the distribution grid from the standby substation;
- ◆ failure localisation in the certain section and electricity supply to free-of-damage section of the distribution grid;
- ◆ combination of two solutions above to achieve maximum effect in extensive multiple consumer grids.

Before installation of every facility we calculated efficiency considering reduction of SAIDI (System Average Interruption Duration Index) and SAIFI (System Average Interruption Frequency Index), and efficiency of investments. In most cases, reasonably chosen number of facilities and locations reduce SAIDI index twice.

Each project placed high emphasis on issues of connection and integration into available SCADA-systems of EGD dispatch control centres to achieve maximum effect from installation of these smart facilities.

DIGITAL TECHNOLOGIES ALLOW ACQUISITION OF GREATER VOLUME OF COMPREHENSIVE INFORMATION ABOUT A POWER FACILITY AND IMPLEMENT CONCEPTUALLY NEW APPROACH TO MANAGEMENT AND CONTROL WITHOUT HUMAN INVOLVEMENT

66 RECLOSERS

INSTALLED IN 2017

RECLOSERS ALLOW CUTTING SAIDI (SYSTEM AVERAGE INTERRUPTION DURATION INDEX) BY HALF

Implementing the new concept of substations construction using 35 kV reclosers with automatic, remote control.

In 2017 the equipment was introduced at the following branches of IDGC of Centre: at Tambovenergo during retrofitting of the Saburovskaya and Seleznevskaya substations and at Lipetskenergo during retrofitting of the 35/10 kV Maley substation and the 35/10 kV Trubetchino substation with relocation of 4 MVA and 2.5 MVA transformers.

Use of a 35 kV recloser shortens the time-frame of substation reconstruction projects, while reducing the space requirements of equipment and increasing the reliability of 35 kV outdoor switchgear. The solution enables easy integration of the facility into SCADA-system, when remote control of RPA settings is required.

Digital operational interlock with data processing server.

Upgrading of the 110/35/10 kV Pogar, 110/6 kV Vysokoe, 110/10 kV Zalineynaya substations at the Bryanskenergo branch of IDGC of Centre included updating of operational interlocks with creation of operational interlock based on RPA microprocessor units.

Constructing electric vehicle charging infrastructure along highways with integration into the general control and monitoring system based on the results of R&D work of IDGC of Centre.

In 2017, the projects on constructing the electric vehicle charging infrastructure along M-11 federal highway at Tverenergo, along M-4 federal highway at Lipetskenergo, along regional highway at Belgorodenergo were implemented.

Smart localisation of short-circuits and monitoring of 6-35 kV power transmission lines using short-circuit indicators. These devices are installed to determine emergency areas and allow reduce the fault location time and operational costs, thus improving the reliability indicators.

In 2017, we installed 14 sets of short-circuit indicators. Data exchange to an EGD dispatch control centre and SCADA integration by IEC-104 protocol were implemented.

Transition to integrated business processes and automation of control systems

To achieve this target, we applied the following key technologies:

- ◆ elements of Supervisory Control and Data Acquisition system (SCADA);
- ◆ elements of grids operation mode control system (DMS);
- ◆ elements of data acquisition and transmission systems;
- ◆ services on development of software for emergency and repair works procedure automation.

IN 2017, TVERENERGO AND BELGORODENERGO IMPLEMENTED THE PROJECTS of CHARGING INFRASTRUCTURE FOR ELECTRIC VEHICLES

Implemented procedures:

- ◆ reconstruction of 21 EGD dispatch control centres to receive data from installed and planned smart facilities fitted in 6-10 kV distribution grids;
- ◆ equipping 72 35-110 kV main substations planned as part of the comprehensive innovative projects;
- ◆ services on development of software for emergency and repair works procedure automation (GIS Innovatsiya).

These measures significantly increase controllability and improve the reliability indicators, since they provide the controller with full information allowing to quickly respond to deviations from normal circuits of electric grids and to shorten the recovery time of the normal mode. These systems are elements of a digital network designed (when being expanded) to significantly improve the level of management and quality of customer service.

Research and Development

IDGC OF CENTRE IS EXTENDING IMPLEMENTATION OF OWN R&D PROJECT RESULTS.

These are the Company-patented 6—10/0.4 kV pole-mounted transformer substations and steel multisided poles of power transmission lines. In 2017, number of pole-mounted transformer substations installed grew by 1.5, and number of steel multisided poles installed grew by 2 against 2016.

Our today R&D efforts focus on technologies that can be used to upgrade existing grids and improve their performance.

In 2017, the following R&D projects were implemented:

- ◆ “Hardware and software combination to protect next generation 35 kV—110 kV substations against electromagnetic impact based on protective multiple earthing” for use by IDGC of Centre (completed).
- ◆ “Development of the automatic control system for a drone used for detection of failures in overhead power line elements” (in progress);
- ◆ “Investigation of gas behaviour in internal insulation of high-voltage oil-filled equipment and development of recommendations on elaboration of results of the Chromatographic Analysis of Dissolved Gases” (in progress);
- ◆ “Hardware and software combination to observe the grid at 6-10 kV and 0.4 kV facilities provided with the electricity metering systems” (in progress).

IN-HOUSE DESIGNS OF IDGC OF CENTRE ARE UNIQUE AND YIELD THE COMPANY ADDITIONAL PROFIT



A detailed breakdown of these R&D projects is available in Appendix 3.4 to the Annual Report on the Company's website

R&D PRIORITY IS IN ACTIVE WORK WITH TECHNOLOGIES

New technology solutions and materials in power engineering.

We aim to use innovative materials and solutions, in particular composite poles for overhead lines and innovative conductors (high-endurance ASVP conductors), etc.

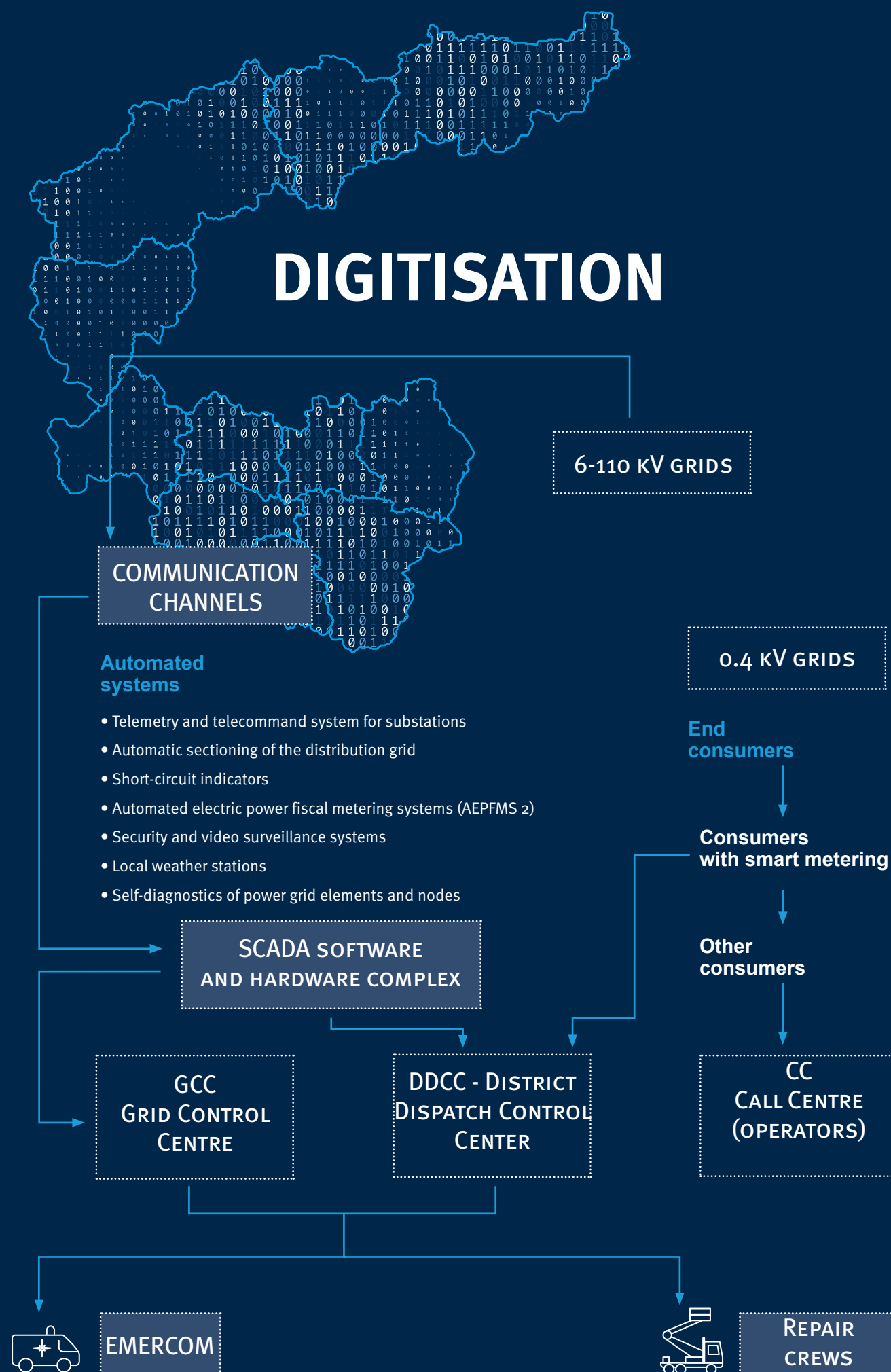
In 2017, to implement the investment projects of IDGC of Centre the following equipment was in use: 0.4 kV steel multisided poles (as per the patent No.138695 of IDGC of Centre, PJSC for the utility model dated February 20, 2014), 10/0.4 kV pole-mounted transformer substations (as per the patents of IDGC of Centre, PJSC No.133982 dated October 27, 2013 and No. 146463 dated September 10, 2014), 10-35 kV reclosers, 10 kV energy-efficient power transformers, “digital substations” equipment - IEC 61850-8-1-compliant (GOOSE, MMS) RPAs and TTs, condenser-controlled arc-suppression coils, charging stations for electric vehicles (as per IDGC of Center patents No.2608387 dated January 18, 2017 and No. 165524 dated October 4, 2016), outdoor 6-20 kV vertical-break line disconnecting switches, 35 kV cable with cross-linked polyethylene insulation, 110 kV current transformers with nitrogen insulation, digital high-voltage electric power fiscal metering points in 6-10 kV overhead lines, short-circuit indicators for 6-10 kV overhead lines.

These innovative devices are more reliable and unified as compared to previously used ones. They surpass the existing equipment in terms of service life, personnel safety and allow to simplify the capital construction process.

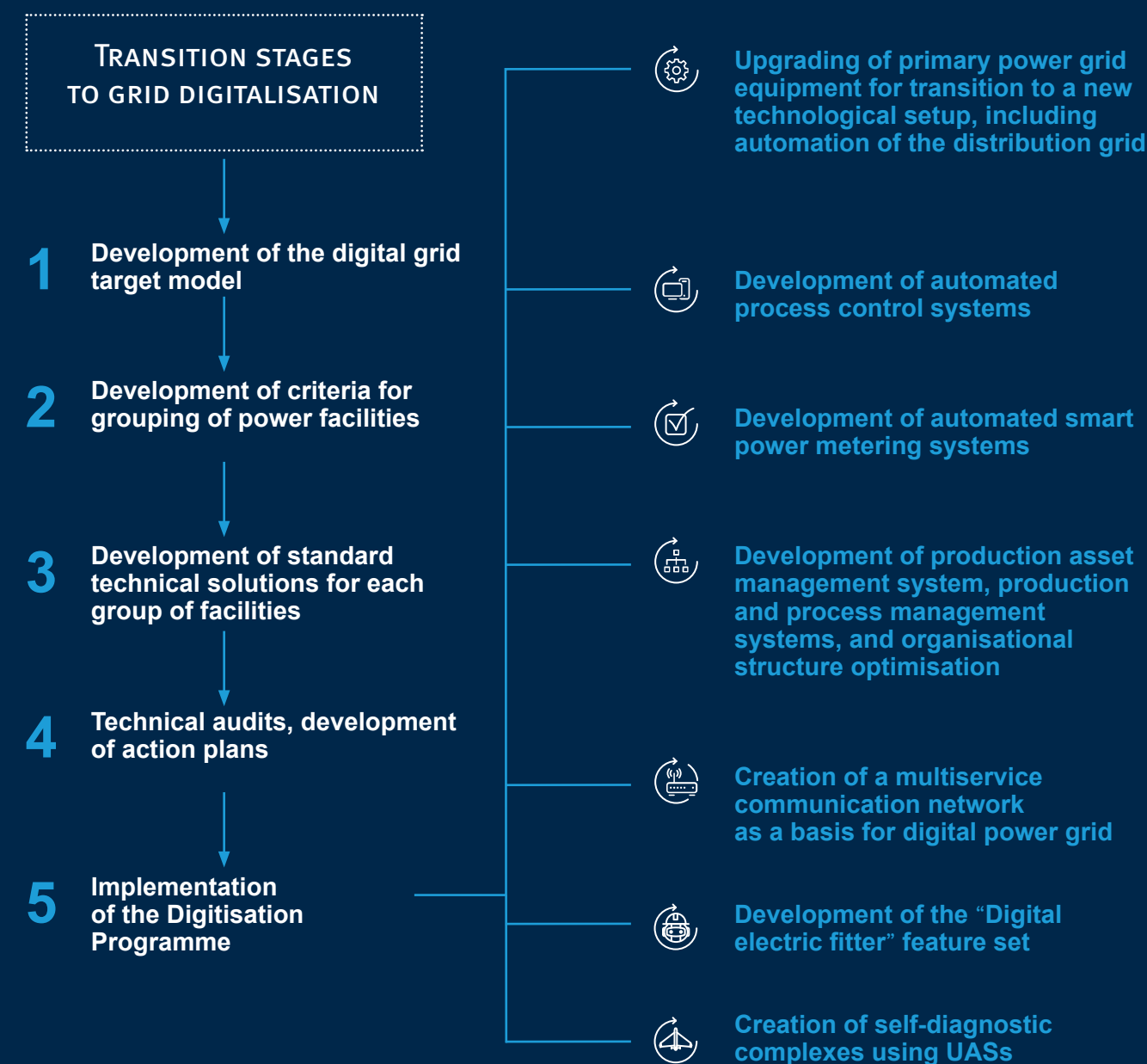
Moreover, a part of the technologies, which is issued under the license of IDGC of Centre (in-house developments resulted from scientific researches), has no analogues and brings additional profit to the Company in the form of royalties.



The digital grid allows enhancing the management and service quality



GRID DIGITISATION STRATEGY



In 2017, the following measures were taken

- ◆ Boards of Directors developed and approved APCS development programmes for IDGC of Centre and IDGC of Centre and Volga Region. These programmes are included into long-term investment development programmes of 20 branches and consider the minimum required observability depending on a facility category.
- ◆ A target programme for upgrading and creation of software-hardware complexes for substations, GCC and RPG dispatch control centres is planned to be developed with regard to approved technical requirements for digital grid components and Grid Digitisation Concept for 2019-2030.
- ◆ Programmes for 0.4-10 kV distribution grid automation were developed.
- ◆ Programmes for installation of smart meters in IDGC of Centre and IDGC of Center and Volga Region for 2018-2022 were developed
- ◆ The 110 kV Yartsevo-2 substation, SS No.14 DP were commissioned.
- ◆ Design of four 35-110 kV substations of IDGC of Centre was completed.
- ◆ Three 35-110 kV substations of IDGC of Centre and two 110 kV substations of IDGC of Center and Volga Region are under design.

INFORMATION TECHNOLOGIES

PERFORMANCE OF IDGC OF CENTRE AS A MODERN POWER GRID COMPANY IS DIRECTLY CONTINGENT ON THE USE OF STATE-OF-THE-ART IT SOLUTIONS AND AUTOMATION TOOLS.

Results of Development of Automated Process Control Systems

In 2017, the Company continued to implement the programmes aimed to upgrade and expand data acquisition and transmission systems and the programmes aimed to develop the automated process control systems at seven branches of the Company.

In the reporting year:

- ◆ installed telemetry and telecommand systems at 10 (110 kV) substations and 63 (35 kV) substations;
- ◆ installed automated dispatch control systems (ADCS) in 24 district dispatch control centres (DDCC) of electric grid district (EGD);
- ◆ completed the FEED for telemetry and telecommand systems at 62 (110 kV) substations and 137 (35 kV) substations;
- ◆ completed the FEED for an ADCS at 94 EGD DDCCs.

As at the end of 2017, 488 110 kV substations and 395 35 kV substations were equipped with advanced telemetry and telecommand systems.

In 2018, the Company plans to install telemetry and telecommand systems at 69 110 kV substations and 255 35 kV substations, 1 distributing point and ADCS at 85 EGD DDCCs.

Results of Telecommunication Development

In 2017, to improve reliability and observability of electric power facilities of the Company's branches, we continued construction and establishment of communication channels on the basis of fiber-optic communication line technology (FOCLs), which transfer the process data to all decision levels, including implementation of obligations on the programmes on updating and extension of data acquisition and transmission systems to the branch of SO UES, JSC of the Regional Dispatch Office of Centre (the RDO).

883 SUBSTATIONS
(110 kV & 35 kV)
WERE EQUIPPED WITH ADVANCED
TELEMETRY AND TELECOMMAND
SYSTEMS IN 2017

The technology is applied for establishment of main and backup communication channels, transmission of telemetric data, voice communication on the Unified Energy System mode control between substation personnel and dispatching services of GCC of the Company and the branches of SO UES, JSC of the Regional Dispatch Office of Centre.

Despite high cost and long period of construction, FOCLs have a number of advantages, which define actuality and preferability of their further widespread use. FOCLs remain the most reliable solution with the highest throughput capacity as compared to other options.

In 2017, we constructed 182 km of FOCLs (the total length of FOCLs at IDGC of Centre is 7,204 km).

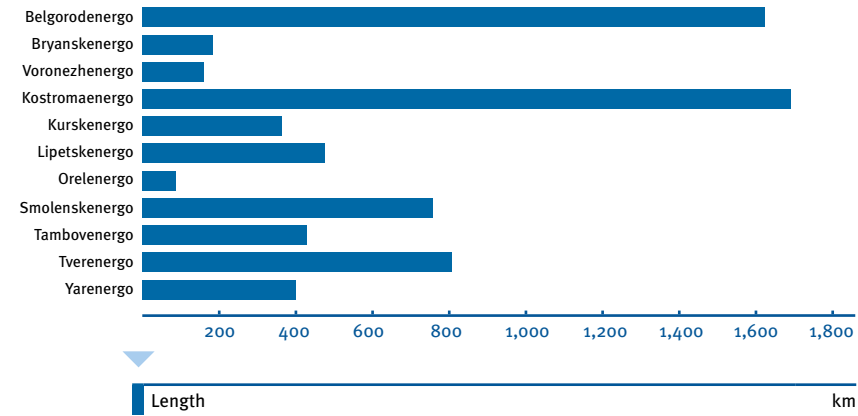
Among them, paid by

- ◆ IDGC of Centre's investments — 4,624 km;
- ◆ Investors' funds — 2,580 km.

The biggest FOCL constructed from own funds at the Belgorodenergo branch is 1,619.06 km long, the smallest one is 41.2 km long at the Orelenergo branch.

7,204 KM
(+3%)
FOCL TOTAL LENGTH
OF IDGC OF CENTRE

Length of FOCLs
across branches
of IDGC of Centre



In 2017, we also continued installing satellite communications equipment at substations, but scope of works showed a decline compared to previous years. The point is that satellite channels are used as backup communications and data transmission channels for remote 35 kV and 110 kV substations that are not economically viable to connect via other communications channels.

Advantage of the satellite communication system:

- ◆ promptness of communication channel construction;
- ◆ up to 2 Mbps data rate;
- ◆ processed by the single satellite operator regardless of the distance between facilities.

Total of 311 facilities of the Company are fitted with satellite equipment sets. One of the sets was put into operation at Yarenergo in 2017.

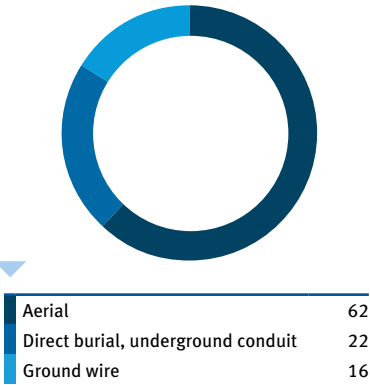
IDGC of Centre has constructed and actively developed a digital radio dispatch system based on an advanced DMR-based digital radio equipment integrated into the Company’s existing data transmission infrastructure.

The system enables us to fundamentally upgrade and integrate our dispatch control for emergency and maintenance crews into a single network by providing uninterrupted contact with the crew while on the move.

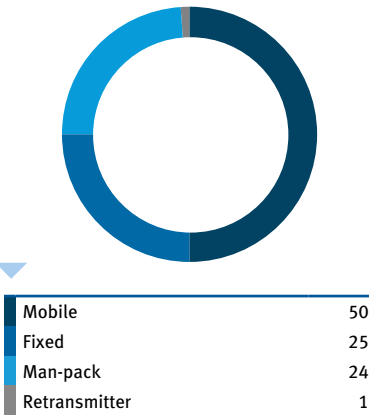
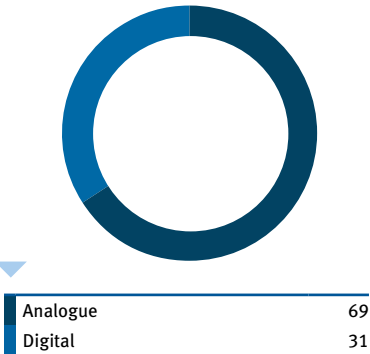
311 FACILITIES

OF IDGC OF CENTRE
WERE EQUIPPED WITH
SATELLITE COMMUNICATION
EQUIPMENT

FOCLs at branches
of IDGC of Centre
by type of installation, %



Radio stations
of IDGC of Centre



In 2017, wireless channels based on the cellular data exchange network and wireless broadband networks of own infrastructure were implemented.

Considering the trends of telecommunication technology development, efforts on backing up and updating the existing communication channels are being made to improve the transmission capacity and the reliability of information transmission.

Results of automation of business applications

In 2017, the Company implemented the following initiatives on business applications as part of an integrated programme for automation of its operating, financial and business activities:

- ◆ developed “User Account” interactive portal for information support and interaction with customers, targeted notification on the power grid company activity and rendering the additional services by remote order, payment and monitoring of service stages;
- ◆ installed the following information systems: “Electronic operational log”, “Failure Rate Software Package” recording system enabling the unified management methodology at the levels of the Situation and Analytical Centre of PJSC ROSSETI for tasks of operational and technological management, operational environment data analysis;
- ◆ implemented the transport and logistics system of emergency and repair works to optimise monitoring of power grid facilities, organisation of emergency and repair works, transport routing;
- ◆ developed the automated mass power outages recording system, which acquires the data on outages, weather conditions, specific operation modes, customer’s requests from external systems and visualises information on the failure map.

MANAGEMENT SYSTEMS

THE COMPANY IS RUNNING THE INTRODUCED EARLIER QUALITY MANAGEMENT SYSTEM AND ENERGY MANAGEMENT SYSTEM. SUCCESSFUL USE OF THESE SYSTEMS IN 2017 HELPED TO IMPROVE RELIABILITY AND QUALITY OF POWER SUPPLY, ENERGY EFFICIENCY, AND QUALITY OF THE GRID CONNECTION SERVICES.

The Quality Management System is an integral part of the Company's overall management system and is designed to ensure high service quality in line with the requirements of regulatory documents, meet customers' needs and expectations, and satisfy all stakeholders, including the Company's employees, shareholders, investors and partners.

The Energy Management System is a tool of the Company's overall management system. It performs continuous investigation to get information on power distribution and consumption level at the enterprise, and optimal power consumption both for production and non-production needs.

The Company's Management Systems comply with the requirements of ISO 9001 (GOST R ISO 9001), ISO 50001 (GOST R ISO 50001) international standards.

Initiatives in 2017

Measures were taken to confirm the certificate of the current energy management system. In May 2017, the certifying authority performed an external inspection audit; the findings confirmed the validity of the certificate ISO 9001: 2008. Ten employees of the Company underwent further training in the Association «EnergoProfaudit» on the topic «Internal audit of the Energy Management System» (SEnM) in accordance with ISO 50001: 2011». During 2017, procedures were conducted to describe the risks of business-processes; as a result, a risk and control matrix, describing the main risks and control procedures of business processes, was added to the process passports.

The Company plans:

- ◆ transition to a new version of ISO 9001:2015 (including certification) – 2017-2018. The transition plan is prepared and necessary internal normative documents are drafted;
- ◆ integration of the Risk Management System into the Quality Management System – 2017-2018;
- ◆ implementation of the Environmental Management System with its subsequent certification to meet the requirements of ISO 14001:2015 – 2018.

Availability of Certificates:

IDGC of Centre	Management System/Certificate validity		Certification authority
	ISO 9001	ISO 50001	
The Certificates are valid for the entire Company	15.09.2018	11.04.2019	“Russian Register” Certification Association

Note:

ISO 9001 – Quality Management System

ISO 50001 – Energy Management System

CORPORATE GOVERNANCE



CHAIRMAN OF THE BOARD OF DIRECTORS' REPORT ON CORPORATE GOVERNANCE IN IDGC OF CENTRE

In 2017, amendments to the Federal Law on Joint-Stock Companies came into effect in terms of the regulation of major transactions and related-party transactions. Moreover, the Moscow Exchange set out new independence criteria for the members of the Board of Directors of issuers. Such new developments required comprehensive review of key internal documents and performance of some corporate procedures.

In order to improve the corporate governance of IDGC of Centre and bring it into compliance with the requirements of applicable laws of the Russian Federation and the Listing Rules, in the reporting year the Company carried out a set of measures, which, among other, include approval of new versions of the following documents:

- ◆ the Articles of Association of IDGC of Centre, PJSC;
- ◆ the Regulations on the General Meeting of Shareholders of IDGC of Centre, PJSC;
- ◆ the Regulations on the Board of Directors of IDGC of Centre, PJSC;
- ◆ the Regulations on the Management Board of IDGC of Centre, PJSC;
- ◆ the Anti-Corruption Policy;
- ◆ the Guidelines on Qualification Procedure for Major Transactions and Related-Party Transactions in IDGC of Centre, PJSC;
- ◆ Corporate Ethics Code and Code of Conduct of the Company's Employees.

The Internal Audit Policy of IDGC of Centre was also amended.

The Company worked to compose a well-balanced Board of Directors, reviewed compliance of independent members of the Board of Directors with the established independence criteria.

One of the key events was the delegation of powers of a sole executive body of IDGC of Centre and Volga Region to IDGC of Centre under the agreement primarily approved by the Boards of Directors of both Companies in September, 2017.

Overview of the most significant aspects of the corporate governance model and practices

Protection of shareholder rights

Shareholders participate in IDGC of Centre management by taking relevant decisions, and their representatives hold positions in the Company's management and advisory bodies.

The Company ensures timely communication of information about material events taking place in the Company to its shareholders and investors, enabling them to take informed decisions on their shares.

The right to receive income is secured by a strong dividend history over the past seven years.

The new version of the Company's Articles of Association confirms a possibility of electronic voting at the General Meeting of Shareholders (also by filling an electronic voting form at the Company website), if this way of filling the form is provided for by the resolution of the Company's Board of Directors upon the preparation for the Company's General Meeting of Shareholders.

STRONG DIVIDEND
HISTORY FOR
THE PAST

7 YEARS

Compliance with Principles and Recommendations of the Corporate Governance Code

IDGC of Centre's Board of Directors hereby certifies that data in this Report contain full and reliable information on compliance by the Company with the principles and recommendations of the Corporate Governance Code (CGC).

Assessment of the Company's compliance with the CGC was conducted in accordance with the recommendations by the Bank of Russia.

Non-compliance or partial compliance with the CGC is mostly associated with the need to prepare and approve (re-approve) a large number of the Company's internal documents.

Another limiting factor to be mentioned in this respect is lack of experience in applying certain CGC principles and recommendations.

The Company does not use any corporate governance principles or tools instead of those recommended by the Corporate Governance Code.

Corporate governance development

Following the policy of continuous improvement of the corporate governance system, IDGC of Centre brought it into compliance with best Russian and international standards. The Company continuously works for corporate governance improvement, implements principles and recommendations of the Corporate Governance Code and some of the best Russian and international practices.

For these purposes the Company plans:

- ◆ to monitor compliance of the Company's Articles of Association and other internal documents with the requirements of the applicable Russian laws;
- ◆ to cooperate with majority and minority shareholders of the Company, with the Moscow Exchange on the issues of holding corporate meetings/executing of corporate procedures for bringing the Company's corporate governance practice in compliance with the requirements of the Moscow Exchange Listing Rules and the Corporate Governance Code;
- ◆ to monitor and assess the corporate governance level and, following the results obtained, to take a decision on compliance of the Company's corporate governance with the requirements of the Bank of Russia and Russian laws;
- ◆ to assess candidates to the Board of Directors nominated by the Company's shareholders as to their compliance with independence criteria of the Moscow Exchange Listing Rules;
- ◆ to create favourable conditions for shareholders' participation in the General Meeting, for working out of the justified position on the General Meeting agenda items, for coordination of own activities, as well as for voicing their opinions on issues under discussion;
- ◆ to review best Russian and international corporate governance practices, to consider and apply them in the Company's activities.



Reports on the compliance by the Company with principles and recommendations of the Corporate Governance Code are available in Appendix 4 to the Annual Report on the official website of IDGC of Centre

Assessment of corporate governance

Corporate governance rating

In August 2017, the Russian Institute of Directors affirmed its corporate governance rating on IDGC of Centre as NRCG 7+ (Advanced Corporate Governance Practice).

NRCG 7+ rating proves that the Company complies with Russian corporate governance regulations, and follows most of the recommendations from the Russian Corporate Governance Code. The Company is characterised by relatively low risks of owner losses related to the corporate governance quality

Self-assessment of corporate governance

Based on FY 2017 results, IDGC of Centre self-assessed its corporate governance level.

The Methodology of Corporate Governance Self-Assessment contains 120 questions to make assessments across six dimensions: shareholders' rights, Board of Directors, executive management, transparency and disclosures, risk management, internal control, and internal audit, as well as corporate social responsibility, business ethics, and compliance.

According to self-assessment results, IDGC of Centre scored 442,75 out of 551 points, or 80.35% (+ 5.35 p.p. vs 2016).

The Company plans to maintain and upgrade the corporate governance level in 2018 by executing certain measures, among them:

- ◆ creation of a forum for shareholders on IDGC of Centre website regarding agenda items of the General Meeting of Shareholders,
- ◆ provision of a possibility for shareholders to participate in voting during the General Meeting of Shareholders by filling the electronic voting form,
- ◆ disclosure of information about candidates to the Board of Directors submitted as part of materials for the General Meeting of Shareholders; information about nomination of a candidate to the Board of Directors or for election (assignment) to positions in other legal entities.

Company Transaction Approval Policy

Major transactions and related-party transactions of IDGC of Centre are subject to approval by the Company's management bodies in accordance with the Federal Law No. 208-FZ dated December 26, 1995 On Joint-Stock Companies and the Company's Articles of Association.

However, an amendment was made to the Articles of Association to include preliminary approval of transactions involving the Company's assets into the responsibilities of the Board of Directors in order to reduce the risk of improper disposal of the Company's assets.

Apart from major transactions and related-party transactions, IDGC of Centre has made a list of transactions deemed to be material for the Company:

- ◆ transactions with over 2% of assets (in terms of value),
- ◆ transactions with state-owned companies,
- ◆ intra-group transaction (with subsidiaries and members of management bodies).

Self-assessment was performed in accordance with the Guidelines "Methodology of Assessment of Corporate Governance System of IDGC of Centre, PJSC", MI BP 1/08-01/2017, approved by the Company's order No. TsA/18/167-r dated October 31, 2017 (based on the Methodology of Corporate Governance Self-Assessment in State-Owned Companies as approved by Rosimushchestvo).

442.75 POINTS
(+5.35 p.p.)
CORPORATE GOVERNANCE
LEVEL OF IDGC OF CENTRE
IN 2017 AS PER THE SELF-
ASSESSMENT RESULTS



Information on major transactions and related-party transactions made in 2017 is available in Appendix 5 to the Annual Report on the official website of IDGC of Centre



Quarterly review of IDGC of Centre's material transactions is available on the Company's official website

MANAGEMENT BODIES

GENERAL MEETING OF SHAREHOLDERS

The Company General Meeting of Shareholders is called and prepared in strict conformity with the laws and internal documents.

The corporate government system and practice of the Company ensure equal conditions for all shareholders – share holders, including minority and international shareholders, as well as their equal treatment by the Company.

The Company follows the practice preventing actions that lead to forced redistribution of corporate control as IDGC of Centre does not have preference shares, while subsidiaries and affiliates do not own “quasi-treasury” shares.

General Meeting of Shareholders in 2017

There was one annual General Meeting of Shareholders of IDGC of Centre in the reporting year. It was held on June 8, 2017 as a physical meeting of shareholders in the conference centre of Holiday In Vinogradovo Hotel in Moscow.

The meeting was attended by approximately 150 shareholders and their proxies. Holders of 89.61% of the Company's shares took part in the voting on agenda items.

In course of the Meeting the shareholders took part in discussions and voting on nine agenda items.



Resolutions made on all agenda items of the Annual General Meeting of Shareholders are available on the official website of IDGC of Centre

BOARD OF DIRECTORS

The Board of Directors provides strategic management of the Company and reports to the General Meeting of Shareholders.

The authority of the Board of Directors is set out in the Articles of Association of IDGC of Centre and includes a wider range of powers compared to those set out in the Federal Law On Joint-Stock Companies. This applies primarily to pre-approval of resolutions on the execution of major transactions by the Company.

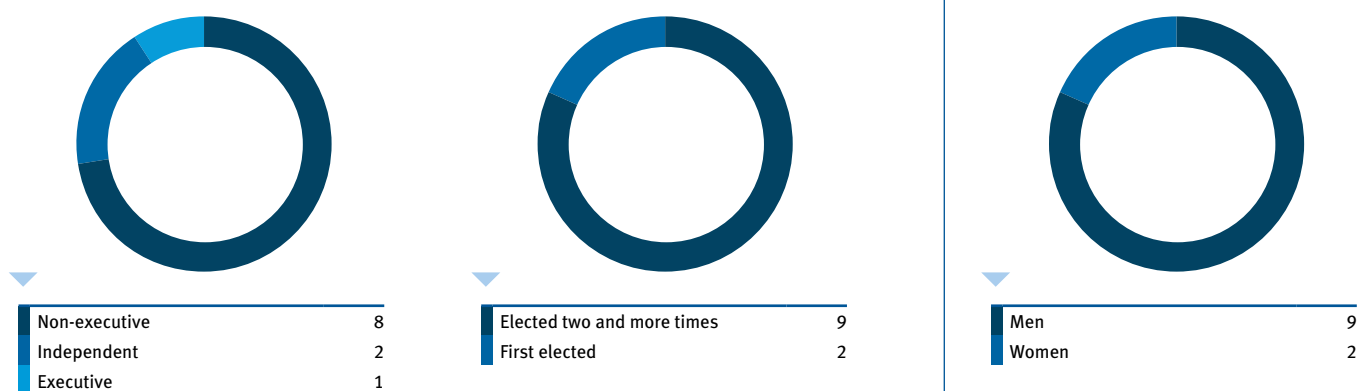
Induction of new Board members

In order to ensure the quickest and efficient integration into the Company's Board of Directors and to familiarise with the Company's operating, financial and economic activities, and corporate governance practice, the Company's management needs to familiarise newly elected directors with the Company's internal and strategic documents, business action plans, and production facilities.

Thus, the Company organises a meeting between the Newly Elected Members of the Board of Directors and the Chairman of the Board of Directors, management board of the Company. On an individual request the Company organises a visit to its power grid facilities.

MEMBERSHIP OF THE BOARD OF DIRECTORS

Composition of the current Board of Directors, %

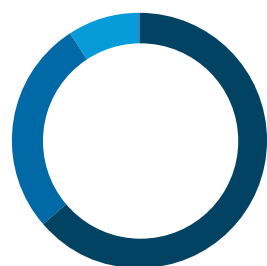


As at December 31, 2017, in line with
the Russian laws on personal data.

The current members of the Board of Directors were elected by the Annual General Meeting of Shareholders on June 8, 2017. The Board includes four representatives of minority shareholders (Dronova T.P., Spirin D.A., Filkin R.A., Shevchuk A.V.) and one representative of the Ministry of Energy of the Russian Federation (Snikkars P.N.).

All members of the Board of Directors, except for Isaev O.Yu., are non-executive directors.

Moreover, two Board directors fully meet the independence criteria set out by the Moscow Exchange – Shevchuk A.V. and Dronova T.P.



ROSSETI, PJSC	Oleg Yu. Isaev Yury N. Mangarov Aleksey I. Pavlov Pavel N. Snikkars Alexey V. Rakov Maxim M. Saukh Oxana V. Shatokhina	50.23
Genhold Limited	Denis A. Spirin Roman A. Filkin Alexander V. Shevchuk	15.0
Energosouz Holdings Limited	Tatyana P. Dronova	2.73

CURRENT BOARD OF DIRECTORS



**YURY N.
MANGAROV**

First elected: on June 26, 2014

Chairman of the Board of Directors
Non-Executive Director

Deputy State Secretary of ROSSETI, PJSC

Born in 1956. A Russian citizen.

In 1978, graduated from Plekhanov Moscow Institute of the National Economy with a degree in Economic Cybernetics.

Over the past five years, served as Top Adviser at ROSSETI, PJSC, Adviser at ROSSETI, JSC, Deputy Executive Director and Chief of Staff, Deputy Chairman of the Management Board, a member of the Management Board, Director for Control and Audit at FGC UES, JSC, Deputy Executive Director and Chief of Staff of IDGC Holding, JSC.

Currently, Chairman of the Board of Directors of IDGC of Center and Volga Region, PJSC, IDGC of North-West, PJSC, a member of the Board of Trustees of Non-State Pension Fund of the Electric Power Industry, a member of the Supervisory Board of KEU EES Non-Profit Partnership. Serves as the Deputy Chair of the Personnel and Remuneration Committee of the Board of Directors of IDGC of Centre.

Recipient of a number of state and industry awards.

Does not own shares of the Company/no shareholding.



**OXANA V.
SHATOKHINA**

First elected: August 23, 2012

Deputy Chair of the Board of Directors
Non-Executive Director

Deputy Director General for Economics, ROSSETI, PJSC

Born in 1975. A Russian citizen.

In 1999, graduated from Financial Academy under the Government of the Russian Federation with a degree in Finance and Credit.

Over the past five years, served as Deputy General Director for Economic Affairs and Finance at ROSSETI, JSC, Director for Economic Affairs at IDGC Holding, JSC and FGC UES, JSC and Head of Department of Economic Planning and Budgeting at FGC UES, JSC.

Currently, a member of the Board of Directors of FGC UES, JSC. Chairs the Personnel and Remuneration Committee and serves as the Deputy Chair of the Audit Committee of the Board of Directors of IDGC of Centre, JSC.

Recipient of a number of state and industry awards.

Does not own shares of the Company/no shareholding.



**OLEG YU.
ISAEV**

First elected: on June 14, 2013

Executive Director

Chairman of the Management Board, General Director, IDGC of Centre

Born in 1969. A Russian citizen.

In 1992, graduated from Krasnoznamenny Military Institute with a degree in Law (awarded qualification – Lawyer) and Russian Presidential Academy of Public Administration with a degree in State and Municipal Management (awarded qualification – Manager) in 2004. In 2011-2012, completed a professional retraining programme in Management in the Electric Power Industry.

Doctor of Law.

Over the past five years, served as General Director of VO Technopromexport, JSC, Chairman of the Board of Directors of VO Tyazhpromexport, JSC, member of the Management Board of the Moscow Chamber of Commerce and Industry, Acting General Director and Chairman of the Management Board of IDGC of Center and Volga Region, PJSC.

Currently, a member of the Board of Directors, Chairman of the Management Board of IDGC of Center and Volga Region, PJSC, a member of the Board of Directors of MOEKS, PJSC, a member of the Council of the Moscow Chamber of Commerce and Industry.

Recipient of a number of state and industry awards.

Does not own shares of the Company/no shareholding.



**PAVEL N.
SNIKKARS**

First elected: on June 26, 2014

Non-Executive Director

Director of the Power Industry Development Department, Russian Ministry of Energy

Born in 1978. A Russian citizen.

In 2000, graduated from the Siberian Academy of Public Administration with a degree in State and Municipal Management and, in 2005, – from the Siberian University of Consumer Cooperation with a degree in Law.

Ph.D. in Economics.

Over the past five years, served as the Director of the Department of the Power Industry Development of the Ministry of Energy of the Russian Federation.

Currently, Chairman of the Board of Directors of the Financial Estimate Centre, JSC, a member of the Board of Directors of FGC UES, PJSC, Lenenergo, PJSC, Energosetproekt Institute, JSC.

Holds membership in the Strategy and Development Committee of the Board of Directors of IDGC of Centre.

Does not own shares of the Company/no shareholding.



**ALEXEY V.
RAKOV**

First elected: on June 8, 2017

Non-Executive Director

Director of Department of Power Metering and Interaction with Electricity Market Entities of ROSSETI, PJSC

Born in 1975. A Russian citizen.

In 1997, graduated from Penza State Technological University with a degree in Computer and Automation System Software, in 2001 -from Penza State Technological University with a degree in Electric Power Systems and grids, in 2012 -from Financial Academy under the Government of the Russian Federation with a degree in Finance and Credit.

Over the past five years, served as the Director of Department of Power Metering and Interaction with Electricity Market Entities of ROSSETI, PJSC.

Currently, a member of the Board of Directors of IDGC of Northern Caucasus, PJSC.

Recipient of a number of state and industry awards.

Does not own shares of the Company/no shareholding.



**ALEKSEY
I. PAVLOV**

First elected: on June 8, 2017

Non-Executive Director

Director of the Treasury Department of ROSSETI, PJSC

Born in 1982. A Russian citizen.

In 2004, graduated from the Saint Petersburg University with a degree in Management Science.

Over the past five years, served as the Head of the Financial Office of the Corporate Finance Department of ROSSETI, PJSC, Deputy Head of the Corporate Finance Department of FGC UES, PJSC, Chief Credit Analyst of Raiffeisen Bank, CJSC.

Currently, a member of the Board of Directors of Severkavkazenergo, JSC, NIC EES, JSC.

Holds membership in the Audit Committee of the Board of Directors of IDGC of Centre.

Recipient of a number of state and industry awards.

Does not own shares of the Company/no shareholding.



**MAXIM M.
SAUKH**

First elected: on June 15, 2012

Non-Executive Director

Head of the Corporate Governance Office of the Department for Corporate Governance and Shareholder and Investor Relations at ROSSETI, PJSC

Born in 1979. A Russian citizen.

In 2001, graduated from St Petersburg Humanitarian University of Trade Unions with a degree in Law.

Over the past five years, served as Head and First Deputy Head of the Department of Corporate Governance and Shareholder and Investor Relations at ROSSETI, JSC / IDGC Holding, JSC.

Currently, a member of the Board of Directors of NIC EES, JSC, Kabbalkenergo, OJSC, Ekaterinburg Power Grid Company, JSC.

Holds membership in the Audit Committee of the Board of Directors of IDGC of Centre.

Recipient of a number of state and industry awards.

Does not own shares of the Company/no shareholding.



**DENIS A.
SPIRIN**

First elected: on June 11, 2009

Non-Executive Director

Director (Corporate Governance), the representative office of Prosperity Capital Management (RF) Ltd.

Born in 1980. A Russian citizen.

In 2006, graduated from Moscow State Law Academy with a degree in Law and in 2002 – from Moscow State University of Railway Engineering with a degree in Railroad Cars.

Currently, a member of the Board of Directors of KUZOCM, Inc., IDGC of South, PJSC, Smolensk Power Maintenance Company, JSC and TGC-2, JSC.

Does not own shares of the Company/no shareholding.



**ROMAN A.
FILKIN**

First elected: on June 11, 2009

Non-Executive Director

Director (Electric Power Industry, Mechanical Engineering), representative office of Prosperity Capital Management (RF) Ltd.

Born in 1983. A Russian citizen.

In 2005, graduated from Financial Academy under the Government of the Russian Federation with a degree in Finance and Credit.

Over the past five years, served as Director (Electric Power Industry, Mechanical Engineering) at the representative office of Prosperity Capital Management (RF) Ltd.

Currently, a member of the Board of Directors of IDGC of North-West, PJSC, TGC-2, JSC, Smolensk Power Maintenance Company, OJSC, IDGC of South, PJSC, and IDGC of Center and Volga Region, PJSC.

Holds membership in the Audit Committee, Strategy and Development Committee of the Board of Directors of IDGC of Centre.

Does not own shares of the Company/no shareholding.



**ALEXANDER V.
SHEVCHUK**

First elected: on June 17, 2011

Independent Director

Executive Director, Association of Institutional Investors Non-Profit Organisation

Born in 1983. A Russian citizen.

In 2005, graduated from Financial Academy under the Government of the Russian Federation with a degree in Finance and Credit.

Over the past five years, served as Expert, Chief Expert, and Deputy Executive Director at the Investor Rights Protection Association/ Association of Institutional Investors.

Currently, a member of the Board of Directors of TGC-1, PJSC, IDGC of North-West, PJSC, IDGC of Urals, JSC, OGC-2, PJSC, IDGC of Center and Volga Region, PJSC.

Chairs the Audit Committee, holds membership in the Strategy and Development Committee of the Board of Directors of IDGC of Centre.

Recipient of a number of state and industry awards.

Does not own shares of the Company/no shareholding.



TATYANA P.
DRONOVA

First elected: on June 25, 2015

Independent Director

Deputy General Director for Strategy and Development,
Investment Holding E-Union, CJSC

Born in 1954. A Russian citizen.

In 2001, graduated from Financial Academy under the Government
of the Russian Federation with a degree in Finance and Credit.

Over the past five years, served as Deputy General Director for Strategy
and Development of Investment Holding E-Union, CJSC.

Currently, Chairman of the Board of Directors of Bank Agroros, JSC,
Deputy Chair of the Board of Directors, a member of the Management
Board of Electrocentronaladka, JSC, a member of the Board of Directors
of Saratov Airlines, JSC, General Director of ENERGO-12, Ltd. and
ELECTROCENTRONALADKA-SERVICE, Ltd.

Holds membership in the Personnel and Remuneration Committee and
the Audit Committee of the Board of Directors of IDGC of Centre.

Does not own shares of the Company/no shareholding.

Until June 8, 2017, the current Board of Directors comprised:³

Yury N. Mangarov	Deputy State Secretary of ROSSETI, PJSC
Chairman of the Board of Directors	For details see p. 81 of the Annual Report.
Non-Executive Director	
Oxana V. Shatokhina	Deputy Director General for Economics, ROSSETI, PJSC
Deputy Chairman of the Board of Directors	For details see p. 81 of the Annual Report.
Non-Executive Director	
Alexander E. Bogashov	Deputy Head of the Department of Corporate Governance, Pricing Environment and Audit in the Energy Industry, Ministry of Energy of the Russian Federation
Non-Executive Director	
First elected: on June 8, 2016	Born in 1989. A Russian citizen. In 2011, graduated from State University of Management with a degree in Corporate Management. Over the past five years, served as Lead Adviser, Deputy Head of the Office, Head of the Corporate Governance Office of the Department of Corporate Governance, Pricing Environment and Audit in the Energy Industry at the Ministry of Energy of the Russian Federation, Specialist of skill category 1, Lead Specialist and Expert at the Federal Agency for State Property Management. Currently, a member of the Board of Directors of Kubanenergo, PJSC, IDGC of South, PJSC, IDGC of Volga, PJSC and NK ROSNEFT-Artag, OJSC. Does not own shares of the Company/no shareholding.
Oleg Yu. Isaev	Chairman of the Management Board, General Director, IDGC of Centre
Executive Director	For details see p. 82 and 107 of the Annual Report.
Denis A. Malkov	Born in 1974. A Russian citizen. In 1996, graduated from Ural State Technical University – Ural Polytechnic Institute named after the first President of Russia B.N. Yeltsin with a degree in Electric Drive and Automation of Industrial Installations and Technological Integrated Facilities. Over the past five years, served as Head of the Electricity Balances and Metering Department, Project Manager of the Project Office at ROSSETI, OJSC / ROSSETI, PJSC, Head of the Technical Development Department at IDGC of Urals, OJSC and Head of the Substations Department at FGC UES, OJSC, Advisor of the General Director (concurrently) of Lenenergo, PJSC. Currently, a member of the Personnel and Remuneration Committee of the Board of Directors of IDGC of Centre. Recipient of a number of state and industry awards. Does not own shares of the Company/no shareholding.

1. As at June 8, 2017.

Irina B. Masaleva	Born in 1974. A Russian citizen. In 1997, graduated from Moscow Power Engineering Institute with a degree in Industrial Electronics and, in 2000, received a degree in Computer Aided Design Systems from the same Institute.
Non-Executive Director	
First elected: on June 8, 2016	Ph.D. in Technical Science.
	Over the past five years, served as Head of the Grid Prospective Development and Grid Connection Department of ROSSETI, PJSC, Deputy Head and Head of the Grid Connection Department at FGC UES, OJSC.
	Currently, a member of the Grid Connection Committee of the Board of Directors of IDGC of Centre.
	Recipient of a number of state and industry awards.
	Does not own shares of the Company / no shareholding.
Maxim M. Saukh	Head of the Corporate Governance Office of the Department for Corporate Governance and Shareholder and Investor Relations at ROSSETI, PJSC
Non-Executive Director	For details see p. 84 of the Annual Report.
Roman A. Filkin	Director (Electric Power Industry, Mechanical Engineering), representative office of Prosperity Capital Management (RF) Ltd.
Non-Executive Director	For details see p. 85 of the Annual Report.
Denis A. Spirin	Director (Corporate Governance), the representative office of Prosperity Capital Management (RF) Ltd.
Non-Executive Director	For details see p. 84 of the Annual Report.
Alexander V. Shevchuk	Executive Director, Association of Institutional Investors Non-Profit Organisation
Independent Non-Executive Director	For details see p. 85 of the Annual Report.
Natalia I. Erpsheer	Head of the Organisational Development Office, Department for HR Policy and Organisational Development, ROSSETI, PJSC
Non-Executive Director	Born in 1969. A Russian citizen. In 1991, graduated from Moscow State University of Railway Engineering with a degree in Systems Engineering. In 2002, completed a professional retraining programme in Psychology of HR Management at Lomonosov Moscow State University; in 2012, completed training in Production and Project Management at National Research University Moscow Power Engineering Institute under the Presidential Managers' Training Programme.
First elected: on June 26, 2014	Recipient of a number of state and industry awards.
	Over the past five years, served as Head of the Organisational Development Department at FGC UES, JSC and at IDGC Holding, OJSC.
	Currently, a member of the Board of Directors of TDC, PJSC and a member of the Supervisory Board of the KEU UES Non-Profit Partnership.
	Chairs the Personnel and Remuneration Committee and serves as a member of the Audit Committee of the Board of Directors of IDGC of Centre, JSC.
	Does not own shares of the Company / no shareholding.

Additional information on the performance of the Board members in 2017:

Transactions with the Company's shares	None
Shareholdings in the Company's subsidiaries	None
Transactions among the members of the Company's Board of Directors	None
Training of the Board members at the Company's expense	None
Serving on, or membership of, the management bodies of competitors	None
Lawsuits against members of the Board of Directors	In 2016, a lawsuit was filed against Isaev O.Yu., Saukh M.M., Shatokhina O.V.

CHAIRMAN'S REPORT ON THE PERFORMANCE OF THE BOARD OF DIRECTORS

Dear Shareholders,

I am pleased to present this Report on the Performance of the Board of Directors of IDGC of Centre in 2017.

The Board of Directors is aware of its responsibility for improving the corporate governance system – all changes in the requirements and recommendations of the regulators are constantly under our close attention.

In the reporting period, important steps were taken to improve corporate governance: the Company's Articles of Association, internal documents governing the activities of management bodies and committees, internal documents have been aligned with the current legislation of the Russian Federation and most of the recommendations of the Corporate Governance Code recommended for use by the Bank of Russia, In the reporting period, the Board of Directors paid much attention to such an important topic as risk management.

Work to improve corporate governance does not go unnoticed and is confirmed by experts' assessments. Thus, the Russian Institute of Directors affirmed its corporate governance rating on IDGC of Centre as NRCG 7+ (Advanced Corporate Governance Practice).

In addition, starting from 2015, the Company regularly (since 2017 by the Internal Audit Service) conducts an assessment of the quality of corporate governance in accordance with the Methodology of self-assessment of the quality of corporate governance in State-Owned Companies developed by the Rosimushchestvo. In 2017, the quality of corporate governance was estimated at 80.35%, which is 5 p.p. higher than the same indicator of the previous year. The assessment report was reviewed by the Audit Committee and the Board of Directors of the Company.

Using the results of an independent assessment of the quality of corporate governance, the Board of Directors determined the main directions and necessary measures for introducing best practices and corporate governance procedures in the Company. They concern the improvement of corporate governance standards to increase the effectiveness of the Board of Directors and its committees, to ensure the rights and legitimate interests of all shareholders in exercising their right to participate in the management of the Company, sustainable development, corporate social responsibility and business ethics.

In accordance with the established procedure, the meetings of the Board of Directors of the Company were held on a regular basis in accordance with a pre-approved work plan, at least once every six weeks. The members of the Board of Directors were provided with information in advance in order to prepare for the meetings. Materials on the agenda items were sent no later than 11 working days before the meeting. On the questions arising from the members of the Board of Directors, the necessary additional information and justifying documents were promptly presented.

When holding meetings in person, the Company provided the members of the Board of Directors with the opportunity to participate in the meeting remotely – through video conferencing. In addition, the Board of Directors took into account a written opinion on the agenda items of the members absent at the meeting.



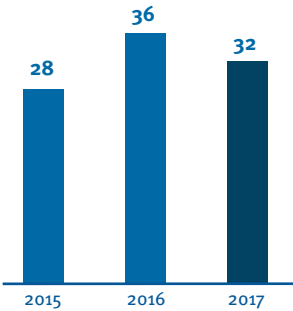
YURY N. MANGAROV

Chairs the Board of Directors of IDGC of Centre

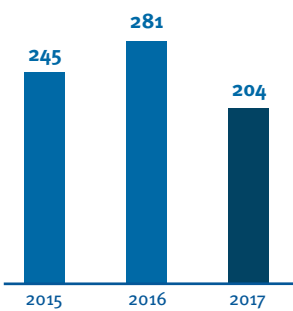
Meeting statistics, 2015–2017

	2015	2016	2017
Total number of meetings	28	36	32
Including:			
In person meeting	4	5	3
Absentee voting	24	31	29
Number of matters discussed	245	281	204
Including those by groups:			
Focus areas	30	52	55
Strategy	34	59	34
Risk management /internal audit and control	3	12	10
Finance	44	15	16
Transaction approval	50	71	7 ¹
Corporate governance	48	46	54
Management of subsidiaries and affiliates	7	6	8
HR and structure	15	14	16
Other matters / social policy	14	6	4

Number of meetings



Matters discussed



In 2017, the Board of Directors held 32 meetings, including 3 meetings held in person.²

- These meetings discussed 204 matters, the following ones being the most important:
- ◆ reports of the General Director on core operations of the Company;
 - ◆ resolutions on approval of business priorities, various programmes, plans, and internal documents;
 - ◆ resolutions on convening and holding the Annual General Meeting of Shareholders of the Company and its subsidiaries and affiliates;

Matters reviewed by the Board of Directors in 2017



1. Number of transactions approved by the Board of Directors reduced due to changes in Russian laws as related to the approval procedure.

2. 2 meetings of the Board of Directors preliminary called as a physical meeting were reschedule to those held by absentee voting (by poll) with the consent of all members of the Company's Board of Directors.

The format of the meetings is determined taking into account the importance and significance of their agenda items for the Company. However, certain matters set out in the Company's Articles of Association may be resolved only during in-person meetings.

Such issues as the approval of the business plan (adjusted business plan), review of the quarterly report on the implementation of the business plan (for the first quarter, six months, nine months, the reporting year), approval of the investment programme, including amendments hereto, and the quarterly report on the results of its implementation, in addition to the review at the physical meeting by the Board of Directors, preliminary discussions and approval are also held at the meetings of the Strategy and Development Committee. Thus, the Company is committed to making the most informed decisions.



The resolutions of the Company's Board of Directors are available on the official website of IDGC of Centre

Attendance at the Board of Directors and Committee meetings in 2017³

Full name of the Board of Directors' member	Attendance at the Board of Directors' meetings	Attendance at the meetings of Committees at the Board of Directors				
		Strategy and Development	Audit	Reliability	Grid Connection	Personnel and Remuneration
Board members who served on the Board throughout 2017						
Oleg Yu. Isaev	27/32	–	–	–	–	–
Yury N. Mangarov	32/32	–	–	–	–	16/16
Maxim M. Saukh	32/32	–	14 (4) / 15 (5)	–	–	–
Denis A. Spirin	32/32	–	–	–	–	–
Roman A. Filkin	32/32	21 (8) / 21 (8)	7 (2) / 7 (2)	–	–	6/7
Oxana V. Shatokhina	31/32	–	14 (2) / 15 (5)	–	–	9/9
Alexander V. Shevchuk	32/32	/ 7 (3)	15 (5) / 15 (5)	–	5/5	7/7
Board members who stepped down from the Board of Directors on June 8, 2017						
Denis A. Malkov	14/14	–	–	–	–	7/7
Natalia I. Erpsher	14/14	–	7 (2) / 7 (2)	–	–	7/7
Irina B. Masaleva	14/14	–	–	–	5/5	–
Alexander E. Bogashov	11/14	–	–	–	–	–
Board members who were elected to the Board of Directors on June 8, 2017						
Tatyana P. Dronova	17/18	11 (2) / 11 (4)	8 (1) / 8 (3)	–	–	9/9
Aleksey I. Pavlov	18/18	–	8 (2) / 8 (3)	–	–	–
Alexey V. Rakov	18/18	–	–	–	–	–
Pavel N. Snikkars	11/18	4 (2) / 10 (4)	–	–	–	–

3. Data are presented as X(n)/Y(m), where X – the number of meetings attended by a Board member, Y – the total number of meetings held, n and m – the number of meetings held in person.

Remuneration of Board members

Basic provisions of the Policy on Remuneration and Reimbursement of Expenses

At the year-end, IDGC of Centre pays out ad-hoc bonuses to the Board members, which are tied to the number of meetings they attended and other positions they hold on the Board Committees.

Remuneration criteria

Type of remuneration	Criteria and calculation	Amount paid in 2017
	<ul style="list-style-type: none">Calculation formula: $S(i) = R_{base} \times 100 / 130 (n/m)$, whereRbase – the base remuneration, calculated in line with the RAS revenue for the financial year;n – the number of Board meetings attended by a Board member between two AGMs;m – the total number of meetings between two AGMs	
For attendance of Board meetings	<p>Rbase depends on the RAS revenue for the financial year:</p> <ul style="list-style-type: none">over RUB 200 bn = RUB 1,000,000over RUB 30 bn = RUB 900,000over RUB 10 bn = RUB 800,000over RUB 1 bn = RUB 700,000over RUB 600 mn = RUB 600,000under RUB 600 mn = RUB 500,000 <p>Bonuses:</p> <ul style="list-style-type: none">+30% to the Board Chairman+20% to the Chairman of a Board Committee+10% to members of a Board Committee <p>Restriction: The total amount of remuneration may not exceed Rbase</p>	RUB 7,408,000
For higher market capitalisation of the Company	<ul style="list-style-type: none">0.0175% growth in the market value of the Company calculated for the period from the election of a Board member until the election of the new Board of Directors <p>Restriction: may not exceed 5% of the RAS net profit under for the year</p>	RUB 11,688,000

Board members in 2017

Type of remuneration	Amount of remuneration, RUB thous. (personal income tax included)
Remuneration for service on a management body	19,096
Salaries of the Board members employed by the Company	–
Bonuses	–
Fees	–
Other types of remuneration	–
Reimbursement of expenses related to service on the Board of Directors	–
Total	19,096

Personal remuneration paid out to Board members of IDGC of Centre in 2017, RUB¹

Full name of the Board member	Personal remuneration paid out in 2017 (personal income tax included) RUB (PIT included)
Denis A. Malkov	2,060,252
Yury N. Mangarov	2,198,714
Irina B. Masaleva	2,060,252
Maxim M. Saukh	2,060,252
Denis A. Spirin	1,991,022
Roman A. Filkin	2,198,714
Oxana V. Shatokhina	2,129,483
Alexander V. Shevchuk	2,198,714
Natalia I. Erpsher	2,198,714

COMMITTEES OF THE BOARD OF DIRECTORS

Committees of the Board of Directors serve as advisory and deliberative bodies, which preview the most important matters within the authority of the Board of Directors and make recommendations thereon. IDGC of Centre has in place five Committees of the Board of Directors.

In 2017, all meetings of the Committees of the Board of Directors of the Company were attended by the majority of their members in person; that allowed ensuring an effective examination of the materials.

Members of the Committee and the experts they brought to work in the Committee more thoroughly delved into the essence of the problem, offered the members of the Board of Directors the sophisticated alternatives.

Greater number of Committee meetings held in person improved communication with the Company’s executive management, which eventually allowed to obtain the consensus required for the implementation of the strategy.

Overview of Committees

- The Company has in place five acting Committees:
- ◆ Reliability Committee (set up in January 2006)
 - ◆ Grid Connection Committee (set up in February 2009)
 - ◆ Strategy and Development Committee (set up in April 2008)
 - ◆ Audit Committee (set up in April 2008)
 - ◆ Personnel and Remuneration Committee (set up in April 2008)

19 RUB MN
RENUMERATION PAID OUT TO THE BOARD MEMBERS IN 2017



Overview of Committees at the Board of Directors is available on the official website of IDGC of Centre

1. Personal remunerations are disclosed with the written consent of Board members. Remuneration paid out to the Board member, Dronova T.P. for holding membership in the Strategy and Development Committee is disclosed in section “Remuneration of members of Board Committees”. Remuneration of Alexander Bogashov may not be accrued or paid out since he is a public official, for whom a federal law provides for a restriction or prohibition on receiving any payments from commercial organisations. Remuneration of Isaev O.Yu. may not be accrued and paid out since the Board member is the Sole Executive Body (General Director) of the Company.

REPORT OF THE CHAIRMAN OF THE RELIABILITY COMMITTEE

As the Chairman of the Reliability Committee, I am pleased to present the Report on the Committee performance in 2017.

The key responsibility of the Committee is to make recommendations to the Board of Directors on the following matters:

- ◆ examination of production programmes and plans for retrofitting and reconstruction, new construction and renovation of grid facilities, analysis of their development and execution;
- ◆ evaluation of the completeness and adequacy of measures taken based on accident investigation results, as well as control over their implementation;
- ◆ examination of the quality of investigation of faults (incidents);
- ◆ examination of the Company’s emergency planning activities (emergency preparedness, set-up and execution of emergency restoration procedures at power grid facilities);
- ◆ examination of the programmes to prevent and reduce the risk of personal injury to the Company’s employees or third parties at the Company’s electric facilities, as well as control over their implementation;
- ◆ control and assessment of the Company’s technical services performance in terms of ensuring operational reliability and safety of power grids;
- ◆ examination of the Company’s internal technical controls, occupational health and safety management system, environmental policy implementation programme, fire and industrial safety system.

As at December 31, 2017, the Committee includes 7 members:

Full name	Core position
Vladimir L. Pelymskiy, Chairman of the Committee	Deputy Chief Engineer, ROSSETI, PJSC
Mikhail V. Smaga, Deputy Chairman of the Committee	Deputy Director, Centre for Technical Supervision – a branch of ROSSETI, PJSC
Dmitry D. Mikheev	Deputy Head of the Department – Head of the Power Industry Prospective Development Office of the Power Industry Development of the Ministry of Energy of the Russian Federation.
Alexander V. Pilyugin	First Deputy General Director – Chief Engineer, IDGC of Centre
Igor G. Polovnev	Financial Director, Association of Institutional Investors
Maxim I. Saveljev	General Director, Soyuz Invest Ltd.
Alexander V. Inozemtcev	Acting Deputy General Director for Economics and Finance, IDGC of Centre

VLADIMIR L. PELYSKIY

Chairman of the Reliability Committee of the Board of Directors of IDGC of Centre

In the reporting year, the Committee held 19 meetings (by absentee voting) and discussed the following matters:

Objectives of the Committee	Matters/documents/programmes were discussed and relevant recommendations were made:
With regard to expertise of production programmes, plans for technical re-trofitting, reconstruction, new construction and repair of power grid facilities, analysis of their development and execution in terms of ensuring the requirements for reliability of operation and technical condition of electrical grids	<ul style="list-style-type: none">• draft target programmes for production activities of IDGC of Centre starting from 2018;• production programmes and plans for retrofitting, reconstruction and repair of grid facilities for 2018, as well as the results of technical condition assessment of the facilities covered by these programmes;• draft of the adjusted Investment Programme of IDGC of Centre for 2017-2022, quarterly reports on execution of this Programme;• review of the Company’s suggestions regarding planned values of reliability indicators of the services rendered across all branches of IDGC of Centre for 2018 -2022, among them adjusted suggestions on planned reliability indicator values for 2018 -2022 across the branches of IDGC of Centre transferring to a new long-term regulation period;• draft Plan of PCB-Containing Equipment Decommissioning for 2018-2023;• amended draft of PJCS ROSSETI Regulations On Uniform Technological Policy at the Power Grid Complex;• quarterly reports on execution of the Repair and Maintenance Programme of IDGC of Centre in 2017;• quarterly reports on execution of the Facility Reliability Improvement Programme of IDGC of Centre in 2017;• quarterly reports on execution of the Programme of Debottlenecking in the Power Grid Complex of IDGC of Centre in 2017;• draft Electrical Grid Upgrading Programme in the Yaroslavl Region for 2018-2022;• draft Programme for provision of manlifts for jobs at overhead line poles, including manlifts mounted on off-road vehicles to be used in hard-to-reach places, for 2017-2021, IDGC of Centre;• draft Programme of upgrading or refitting/retrofitting the special and transport vehicles used for performance of works and for transportation of personal (by equipping them with modern safety means) for 2017-2021, IDGC of Centre;• draft Programme of Upgrading (Renovation) of Grid Facilities of IDGC of Centre for 2017–2026;• draft of adjusted Development plan for Production Asset Management System of IDGC of Centre for 2017-2018, annual report on execution of this Plan.
With regard to evaluation of the completeness and adequacy of measures taken following the accident investigation results, as well as control over their implementation	<ul style="list-style-type: none">• quarterly reports on reliability status in 2017;• the report for 2016 on the reliability indicators of the services rendered by the Company’s branches subject to tariff regulation on the basis of long-term parameters for regulating the activities.
With regard to examination of the Company’s emergency planning activities (emergency preparedness, set-up and execution of emergency restoration procedures at power grid facilities)	<ul style="list-style-type: none">• report on the results of the autumn and winter period of 2016-2017;• report on preparation for operation during the autumn and winter period of 2017-2018, including preparedness for set-up and execution of emergency restoration procedures in the autumn and winter period of 2017-2018;• reports on preparation for operation in the spring flood, lightning, fire seasons of 2017, reports on results of the seasons listed and other issues.
With regard to examination of the programmes to prevent and reduce the risk of personal injury to the Company’s employees or third parties, as well as control over their implementation	<ul style="list-style-type: none">• quarterly reports on execution of the Injury Risk Reduction Programme of IDGC of Centre for 2017;• quarterly reports on execution of the Programme to reduce risk of injuries to third parties at the facilities of IDGC of Centre for 2017.
With regard to control and assessment of the Company’s technical services performance in terms of ensuring operational reliability and safety of power grids	<ul style="list-style-type: none">• quarterly reports on taking measures to prevent wrong and incorrect actions of personnel in 2017;• quarterly reports on performance of the Company’s technical services aimed at ensuring operational reliability of the Company’s power grids in 2017.
With regard to examination of the Environmental Policy Implementation Programme	<ul style="list-style-type: none">• draft Action plan for execution of the Environmental Policy Implementation Programme for 2017-2019;• quarterly reports on execution of the Environmental Policy Implementation Programme of IDGC of Centre for 2017-2018 during 2017;• draft of the adjusted Environmental Policy Implementation Programme of IDGC of Centre for 2018.
When discussing proposals on reorganisation of the Company’s Governance System (change in the number of management levels, setting up/liquidation/regrouping of production departments, power grid regions), the Committee approved a pilot aimed to merge the power grid regions of the Yarenergo branch.	

In May 2017, the Board of Directors reviewed and took note of the report on the Committee’s performance in 2016-2017. The report on performance in the current corporate year will be presented to the Board of Directors in May 2018.

REPORT OF THE CHAIRMAN OF THE GRID CONNECTION COMMITTEE

I am pleased to present to the shareholders and other related parties the Report on Performance of the Grid Connection Committee in 2017.

During the reporting year, the Committee was engaged in activities in line with its key objectives of making recommendations to the Board of Directors on the following matters:

- ◆ development of proposals to improve the legal framework for antimonopoly regulation and ensure non-discriminatory access to grid connection services for consumers;
- ◆ development of proposals to improve the Company’s internal regulations and standards covering non-discriminatory access to grid connection services for consumers;
- ◆ elaboration of the principles and criteria for assessment of the Company’s performance related to grid connection of consumers;
- ◆ assessment of the Company’s performance related to grid connection of consumers;
- ◆ analysis of the Company’s current situation and preparation of proposals to the Board of Directors concerning grid connection of consumers.

As at December 31, 2017, the Committee includes 5 members:

Full name	Core position
Alexander Yu. Korneev, Chairman of the Committee	Head of the Grid Connection Regulation Office, ROSSETI, PJSC
Vasily S. Kukhareenko, Deputy Chair of the Committee	Chief Expert of the Department for Prospective Development of the Grid and Grid Connection, ROSSETI, PJSC
Irina V. Kim	Chief Expert of the Department for Prospective Development of the Grid and Grid Connection, ROSSETI, PJSC
Dmitry D. Mikheev	Deputy Head of the Department – Head of the Power Industry Prospective Development Office of the Power Industry Development of the Ministry of Energy of the Russian Federation.
Igor G. Polovnev	Financial Director, Association of Institutional Investors

ALEXANDER YU. KORNEEV

Chairman of the Grid Connection Committee of the Board of Directors of IDGC of Centre

In the reporting year, the Committee held 11 meetings (by absentee voting) and discussed the following matters:

Objectives of the Committee	Matters/documents/programmes were discussed and relevant recommendations were made:
With regard to the analysis of the Company’s current situation concerning grid connection of consumers	• quarterly report on the results of grid connection activities targeting consumers / generating facilities / federal consumers / small and medium-sized businesses / domestic consumers.
With regard to assessment of the Company’s performance related to grid connection of consumers	• quarterly reports on complaints and applications related to connection to the Company’s transmission and distribution grids; • quarterly reports on achieved KPIs; “Compliance with grid connection time-frames” and “Increase of utilisation of power supply capacity

In May 2017, the Board of Directors considered and took note of the report on the Committee’s performance in 2016-2017. The report on performance in the current corporate year will be presented to the Board of Directors in May 2018.

REPORT OF THE CHAIRMAN OF THE STRATEGY AND DEVELOPMENT COMMITTEE

Dear shareholders, and other stakeholders, I am pleased to present the report on the performance of the Strategy and Development Committee in 2017. The main objectives of the Committee include making recommendations to the Board of Directors in the following areas:

- ◆ determination of business priorities, strategic goals, and key principles of the Company’s strategic development;
- ◆ enhancement of the Company’s investment appeal, improvement of its investment performance and balanced investment decision-making;
- ◆ adjustment of the Company’s current development strategy;
- ◆ control over the execution of programmes and projects;
- ◆ control over the arrangement and operation of the risk management system.

EVGENY A. OLKHOVICH

Chairman of the Strategy and Development Committee of the Board of Directors of IDGC of Centre.

As at December 31, 2017, the Committee includes 10 members:

Full name	Core position
Evgeny A. Olkhovich, Chairman of the Committee	Deputy General Director for Strategy and Development, ROSSETI, PJSC
Irina A. Shagina, Deputy Chairman of the Committee	The Head of the Tariff Setting Department of the Tariff Policy Department at ROSSETI, JSC
Alexey N. Zharikov	Head of the Department of the Corporate Policy and Shareholder Relations, Electrocentronaladka, JSC
Dmitry S. Kapustin	Head of the Innovative Technical Policy and Energy Efficiency Office of the Technological Development and Innovation Department, ROSSETI, PJSC
Sergey V. Podlutsky	Head of the Consolidated Planning and Reporting Office, Investment Department, ROSSETI, PJSC
Sergey Yu. Rumyantsev	Member of the Management Board, Adviser to the General Director, IDGC of Centre, PJSC
Yury A. Savvin	Deputy Head of the Office for Subsidiaries' and Affiliates' Performance, Department for Economic Planning and Budgeting, ROSSETI, PJSC
Snikkars Pavel N.	Director of the Power Industry Development Department, Russian Ministry of Energy
Roman A. Filkin	Director (Electric Power Industry, Mechanical Engineering), representative office of Prosperity Capital Management (RF) Ltd
Alexander V. Shevchuk	Executive Director, Association of Institutional Investors

In 2017, the Committee held 21 meetings, including 8 meetings held in person. The following issues were discussed in line with the Committee's tasks.

The following issues were discussed at the meetings in line with the Committee's objectives

Objectives of the Committee	The matters/documents/programmes were discussed and relevant recommendations were made:
With regard to the determination of business priorities, strategic goals, and key principles of the Company's strategic development;	<ul style="list-style-type: none">• a draft business plan of IDGC of Centre for 2018 and draft projections for 2019-2022;• draft integrated business plan under RAS and draft consolidated business plan under IFRS for 2018 and draft projections for 2019-2022;• a draft Methodology of Calculation and Assessment of Key Performance Indicators by the IDGC of Centre's General Director since 2017;• a scenario guidance of IDGC of Centre's business plan for 2018 and projections for 2019-2022;• draft energy saving and energy efficiency programmes of IDGC of Centre for 2017-2022;• a draft target Programme to reduce electricity losses in IDGC of Centre's power grids for 2017 to 2021;• a draft Programme for prospective development of electricity metering systems in the retail market of IDGC of Centre for 2017-2022;• a draft adjusted Innovative Development Programme of IDGC of Centre for 2016-2020 with an outlook till 2025.• consolidation of IDGC of Centre and IDGC of Center and Volga Region.
With regard to the enhancement of the Company's investment appeal, improvement of the investment performance and balanced investment decision-making	<ul style="list-style-type: none">• a draft Investment Programme of IDGC of Centre for 2017-2022.• a report on Monitoring of economic performance of the investment projects in 2016 (35-110 kV main substations with increased installed capacity) included in the Company's Investment Programme.
With regard to control over the execution of the accepted programmes and projects	<ul style="list-style-type: none">• Quarterly reports on the execution of IDGC of Centre's Business Plan (including IDGC of Centre's business plans based on RAS integrated financial statements and IFRS consolidated financial statements);• Quarterly reports on the execution of the IDGC of Centre's Investment Programme;• Quarterly report on the execution of the IDGC of Centre's Innovative Development Programme.

Objectives of the Committee	The matters/documents/programmes were discussed and relevant recommendations were made:
With regard to the control over the arrangement and operation of the risk management system	<ul style="list-style-type: none">• semi-annual reports on management of the Company's key operational risks;• preliminary review of "Risk Management System" section of the Company's Annual Report;• annual report on the arrangement and operation of the risk management system, including the implementation of measures to improve the risk management system and to enhance the RMS maturity level;• reports on the measures taken to establish the responsibility of risk owners in case there is a deviation of the level of actual consequences of key operational risks from the target;• reports on the results of the conducted evaluation of the effectiveness and sufficiency of risk management measures as to the key operational risks and risks associated with business plans;• reports on measures taken to prevent the occurrence of risks that have a prominent and critical level of significance;• a forecast for the occurrence of key operational risks for 2017 and a report on the implementation of the Action Plan for managing these risks;• draft of the amended Register of key operational risks of IDGC of Centre.
Other Issues	<ul style="list-style-type: none">• information of the management board on the results of the Company's tariff regulation for 2017 and proposals on methods of tariff regulation for 2018-2022;• management proposals for approval of the calculation and evaluation of the performance of the KPI «Reduction of the per unit operating costs (expenses)» within the list of expenses additionally excluded from the scope of operating (controlled) expenses;• drafts of new versions of the Company's internal documents – Articles of Association, Regulations on the General Shareholder's Meeting, Regulations on the Board of Directors, Regulations on the Audit Commission of IDGC of Centre.

In May 2017, the Board of Directors considered and took note of the report on the Committee's performance in 2016-2017. The report on performance in the current corporate year will be presented to the Board of Directors in May 2018.

REPORT OF THE CHAIRMAN OF THE AUDIT COMMITTEE

As the Chairman of the Audit Committee, I am pleased to present this report on the Committee's performance in 2017.

The main objective of the Committee is to assist the Board of Directors in preview of matters related to monitoring of the Company's financial and business performance:

- ◆ review of the Company's accounting (financial) statements and control over their preparation;
- ◆ control over the reliability and effectiveness of the internal control system, risk management system, and corporate governance practices;
- ◆ control over external audits and selection of the auditor;
- ◆ ensuring independence and objectivity of the internal audit function;
- ◆ control over the effectiveness of the system for countering unfair practices of the Company's employees or third parties.

ALEXANDER V. SHEVCHUK

Chairman of the Audit Committee of the IDGC of Centre's Board of Directors

As at December 31, 2017, the Committee includes 5 members:

Full name	Core position
Alexander V. Shevchuk, Chairman of the Committee, Independent Director	Executive Director, Association of Institutional Investors Non-Profit Organisation
Oxana V. Shatokhina, Deputy Chair of the Committee	Deputy Director General for Economics, ROSSETI, PJSC
Tatyana P. Dronova, Independent Director	Deputy General Director for Strategy and Development, Investment Holding E-Union, JSC
Aleksey I. Pavlov	Director of the Treasury Department of ROSSETI, PJSC
Maxim M. Saukh	Head of the Corporate Governance Office of the Department for Corporate Governance and Shareholder and Investor Relations, ROSSETI, PJSC

All members of the Committee are non-executive directors; two members are Independent Directors (Tatyana P. Dronova and Alexander V. Shevchuk) who have experience and expertise in preparation, analysis, assessment and audit of accounting (financial) statements. All members of the Committee have the required professional background and skills to ensure the best possible skill mix to support its activities.

In 2017, we held 15 meetings, including 5 meetings held in person. The following matters were discussed:

The following material issues were discussed at the meetings:

Objectives of the Committee	The following matters/minutes/documents were reviewed/preliminary reviewed and relevant recommendations were given to the Board of Directors
With regard to accounting (financial) statements of the Company	<ul style="list-style-type: none">on review of the Company's draft interim accounting (financial) statements under RAS (quarterly) (Minutes: No. 6/17 dated April 28, 2017, No. 9/17 dated July 31, 2017, No. 12/17 dated October 27, 2017);comments of the external auditor on the main issues in the accounting (financial) statements under RAS and IFRS (Minutes of the Audit Committee's Meeting: No.04/17 dated April 5, 2017, No. 15/17 dated December 18, 2017);on preliminary review of the of the Company's accounting (financial) statements under RAS and Company's consolidated accounting statements under IFRS (Minutes: No.04/17 dated April 5, 2017);on non-standard operations and events, as well as on the formation of a reserve on doubtful debts and estimated liabilities (minute No.04/17 dated April 5, 2017). Also in the reporting year, significant aspects of the Accounting Policy of the Company and planned changes for the coming year (Minutes No.15/17 dated December 18, 2017).
With regard to the control over the reliability and effectiveness of the internal control system, risk management system, and corporate governance practices	<ul style="list-style-type: none">on review of the effectiveness of the internal control system and risk management system for 2016 (Minutes No.03/17 dated March 16, 2017);on preliminary review of "Internal Control System" section of the Company's Annual Report (Minutes No.05/17 dated April 18, 2017);on preliminary review of the results of elimination of violations and shortcomings revealed by the results of audits of financial and economic activities of IDGC of Center in 2016 (Minutes No. 14/17 of December 7, 2017), review of information of the Company's management on the implementation of measures aimed at eliminating violations of requirements of the organizational and administrative documents of the Company and the legislative norms regulating the commissioning procedure for completed facilities, and at preventing them in the future (Minutes No.06/17 dated April 28,2017);on review of the Company's management information "On Implementation of the Internal Control Policy of IDGC of Centre" (Minutes No.11/17 dated August 31, 2017).
With regard to the control over external audits and selection of the auditor	<ul style="list-style-type: none">on evaluation of the effectiveness of external audit of the Company's accounting (financial) statements for 2016 (Minutes No.04/17 dated April 5, 2017);on preliminary consideration of a candidate nominated as the Company's external auditor to audit the Company's accounting statements for 2017 (Minutes No.04/17 dated April 5, 2017);on the amount of payment for the audit of the Company's accounting statements for 2017 (Minutes No.08/17 dated July 11, 2017).

Objectives of the Committee	The following matters/minutes/documents were reviewed/preliminary reviewed and relevant recommendations were given to the Board of Directors
With regard to ensuring independence and objectivity of the internal audit function	<ul style="list-style-type: none">on preliminary review of changes introduced to the Internal Audit Policy of IDGC of Centre (Minutes No.01/17 dated February 7, 2017);on preliminary review of the Action plan to develop and improve IDGC of Centre's internal audit performance for 2017-2019 (Minutes No.07/17 dated May 15, 2017);on review of a structure and a list of information contained in the report on implementation of the work plan and results of internal audit performance (Minutes No.10/17 dated August 10, 2017);on preliminary review of changes to the Internal Audit Department Action Plan for 2017 (Minutes No.10/17 dated August 10, 2017);on preliminary review of the Internal Audit Department Action Plan for 2018 (Minutes No.13/17 dated November 16, 2017);on approval of annual and quarterly reports of the Internal Audit Department "On Internal Audit Plan Implementation and Internal Audit Performance Results,including results of self-assessment of internal audit quality and action plan on improvement of the internal audit function" (Minutes No. 02/17 dated February 17, 2017,No. 07/17 dated May, 15, 2017, (No.10/17 dated August 10, 2017,No.13/17 dated November 16, 2017);on preliminary review of the budget of the Internal Audit Department for 2018 (Minute No.13/17 dated November 16, 2017);on preliminary review of the KPIs of the Internal Audit Department Director for 2018 (Minutes No.13/17 dated November 16, 2017);on review of the Company's Management report "On Implementation of the Corrective Measures to Eliminate Gaps Identified by the Company's Internal Audit and Third-Party Control and Supervision Bodies, the Company's Audit Commission on implementation of measures taken to address the information about potential cases of unfair practices of employees, and following the results of investigations made" (Minutes No.02/17 dated February 17, 2017, No.10/17 dated August 10, 2017).
With regard to the control over the effectiveness of the system for countering unfair practices of the Company's employees or third parties	<ul style="list-style-type: none">on preliminary review of the new version of the Anti-Corruption Policy of PJSC Rosseti (Minute No.01/17 dated February 2, 2017);on preliminary review of the Corporate Ethics Code and Code of Conduct of the Company's Employees of IDGC of Centre (Minutes No.05/17 dated April 18, 2017);on review of the Management information "On Implementation of the Company's Anti-Corruption Policy in 2016" (Minutes No.02/17 dated February 17, 2017).

In May 2017, the Board of Directors considered and took note of the report on the Committee's performance in 2016-2017. The report on performance in the current corporate year will be presented to the Board of Directors in May 2018.

In line with para. 294.2 of the Corporate Governance Code, on March 27, 2018, the Audit Committee of the IDGC of Centre's Board of Directors assessed the effectiveness of external audit of the Company's accounting (financial) statements under RAS for 2017, and the Audit Report made by the results thereto and preliminary reviewed the Company's internal audit report "On Assessment of Effectiveness of the Internal Audit System, Risk Management System and Corporate Government System in 2017".

The following decisions were made at the meeting of the Company's Audit Committee (Minutes No.04/18 dated March 27, 2018):

- ◆ the Audit Report and procedures taken by RSM RUS, LLC when auditing the accounting (financial) statements under RAS for 2017 to be recognised as consistent with the contract terms and the Russian Federation legislation requirements;
- ◆ Recommendations to be given to the Company's Board of Directors to include the Report of the Audit Committee of the Company's Board of Directors on the effectiveness and quality of the external audit in the list of documents to be submitted to people entitled to participate in the General Meeting of Shareholders of the Company;
- ◆ Recommendation to be given to the Company's Board of Directors to take the following resolutions:
The report of the Company's Internal Auditor "On assessment of effectiveness of the internal audit system, risk management system and corporate management system in 2017" to be taken into consideration.

REPORT OF THE CHAIR OF THE PERSONNEL AND REMUNERATION COMMITTEE

I am pleased to present the Report on Performance of the Personnel and Remuneration Committee in 2017.

The Committee’s key objectives are:

- ◆ development of recommendations on the amount of remuneration payable to the Company’s Board of Directors;
- ◆ determination of the principles and criteria for remuneration of and financial incentives for members of the collegial executive body and the person acting as the sole executive body of the Company, including a managing company or a manager; as well as assessment of their performance;
- ◆ determination of the criteria for selecting candidates to the Board of Directors and to the position of the sole executive body of the Company.

As at December 31, 2017, the Committee includes 3 members:

Full name	Core position
Oxana V. Shatokhina, Chairman of the Committee	Deputy Director General for Economics, ROSSETI, PJSC
Yury N. Mangarov, Deputy Chair of the Committee	Deputy State Secretary of ROSSETI, PJSC.
Tatyana P. Dronova Independent Director	Deputy General Director for Strategy and Development, Investment Holding E-Union, JSC

All members of the Committee are non-executive directors; one Director fully meets the independence criteria. All members of the Committee have the required skills and experience to handle the tasks of the Committee.

In the reporting year, the Committee held 16 meetings and discussed the following issues:

Objectives of the Committee	The matters/documents/programmes were discussed and relevant recommendations were made:
With regard to the development of recommendations on the amount of remuneration payable to the Company’s Board of Directors	<ul style="list-style-type: none">• amendment of the Regulations on Financial Incentives for the General Director of IDGC of Centre;• amendment of the Regulations on Financial Incentives and Social Benefits of the Company’s Top Managers.
With regard to the determination of the criteria for selecting candidates to the Board of Directors and the collective executive body, to the position of the sole executive body of the Company, and preliminary assessment of these candidates	<ul style="list-style-type: none">• preliminary assessment of the candidates to the Board of Directors nominated at the Annual General Meeting of Shareholders in 2017;• appointment of the member of IDGC of Centre’s Board of Director Alexander V. Shevchuk to the position of the Independent Director;• approval of candidates to certain positions of the Company’s Executive Office

OXANA V. SHATOKHINA

Chair of the Personnel and Remuneration Committee of the Board of Directors of IDGC of Centre.

Objectives of the Committee	The matters/documents/programmes were discussed and relevant recommendations were made:
With regard to the regular assessment of the performance of a person serving as the Sole Executive Body (managing company, manager), and members of the Company’s collective executive body, and preparation of proposals to the Board of Directors on their re-appointment	<ul style="list-style-type: none">• review of the performance of Deputy General Directors (by business line, branch directors) and preparation of relevant recommendations to the Company’s General Director.
Other Issues	<ul style="list-style-type: none">• the structure of the Executive Office of IDGC of Centre;• the structure of the Administration Office of the Company’s branch;• assessment of the composition of the management talent pool and young talent pool;• report on results of measures taken to join power grid regions of the Tverenergo Branch of IDGC of Centre as regards the personnel management;• report on the results of organisational measures to connect Rostov and Gorodsk regions of the Yarenergo branch of IDGC of Centre as regards the personnel management;• election of the Corporate Secretary of the Company, including determination of the amount of, and procedure for, payment of remuneration to him/her.
When discussing proposals on reorganisation of the Company’s Governance System (change in the number of management levels, setting up/liquidation/regrouping of production departments, power grid regions), the Committee approved a pilot aimed to merge the power grid regions of the Yarenergo branch.	

In May 2017, the Board of Directors considered and took note of the report on the Committee’s performance in 2016-2017. The report on performance in the current corporate year will be presented to the Board of Directors in May 2018.

Remuneration of members of the Board Committees

In accordance with the approved policy in place at IDGC of Centre, remuneration was paid in 2017 to members of the Board Committees for participation in committee meetings. The amount of remuneration depends on the form of the meeting:

- ◆ two minimum monthly wages of a skill category 1 worker (the “minimum monthly wage”) for participation in meetings held in person;
- ◆ one minimum monthly wage for participation in meetings held by absentee voting;
- ◆ Remuneration payable to the Committee Chairman is 50% higher.

Remuneration to members of the Board Committees who are also members of the Company’s Board of Directors is paid in the form and amount stipulated by the Regulations on Remuneration and Compensation to the Board Members. These persons receive an additional allowance set at:

- ◆ 10% for a committee member;
- ◆ 20% for a committee Chairman.

REMUNERATION IS NOT PAID TO MEMBERS WHO ARE ALSO MEMBERS OF THE COMPANY’S MANAGEMENT BOARD.



Remuneration and compensation to members of the Committees at the Board of Directors of IDGC of Centre are paid in accordance with the relevant regulations approved by the Company’s Board of Directors

Remuneration paid to members of the Board Committees in 2017:

	Committees				
	Reliability	Grid Connection	Strategy and Development	Audit	Personnel and Remuneration
Remuneration for participation in the committee activities, RUB thou. (incl. Personal Income Tax)	771	361	1,619		—

CORPORATE SECRETARY

The Corporate Secretary of IDGC of Centre ensures interaction with shareholders, coordinates the Company’s activities to uphold shareholders’ rights and interests, ensures support for the activities of the Board of Directors and serves as the Secretary of the Management Board improving the corporate governance in the Company. The Corporate Secretary acts in accordance with the Code’s recommendations and has adequate resources for exercising his/her powers.

The Corporate Secretary reports functionally to the Board of Directors and administratively to the IDGC of Centre’s General Director. The Corporate Secretary is appointed to, and removed from, the position held by the Company’s General Director based on the resolution of the Board of Directors.

At least 10 (ten) days prior to the annual General Meeting of Shareholders of the Company, the Board of Directors conducts an annual performance assessment of the Corporate Secretary and approves a report on the Corporate Secretary’s activities. On May 29, 2017, the report “On activities for 2016-2017 corporate year” was reviewed and adopted by the Company’s Board of Directors without remarks. The Personnel and Remuneration Committee reviewed the report on Committee’s performance in the current corporate year and submitted it to the Company’s Board of Directors on April 23, 2018.

The Corporate Secretary also submits quarterly the information on implementation of the decisions taken at the meetings of the Company’s Board of Directors. The information of the Corporate Secretary on the implementation of the Board of Director’s decisions in line with the Regulations on the Board of Directors of the Company is heard at every physical meeting

- Key responsibilities of the Corporate Secretary:
- ◆ participating in the organisation of preparations for, and holding of, the General Meeting of Shareholders;
 - ◆ ensuring support for the activities of the Board of Directors and committees of the Board of Directors;
 - ◆ participating in the implementation of the Company’s information disclosure policy;
 - ◆ ensuring the Company’s interaction with its shareholders;
 - ◆ ensuring the Company’s interaction with regulators, market operators, registrar and other professional security traders, as well as controlled companies, within the scope of authority of the Corporate Secretary;
 - ◆ ensuring compliance with the procedures stipulated by laws and the Company’s internal documents that ensure the exercise of rights and legitimate interests of shareholders, monitoring their execution;
 - ◆ participating in the improvement of the Company’s corporate governance system and practices, etc.

The Corporate Secretary of IDGC of Centre performs his/her activities in accordance with the Company’s Articles of Association and Regulation on the Corporate Secretary

The Corporate Secretary of the Company is Svetlana V. Lapinskaya.

Nationality: Russian Federation.¹
Education: Maimonides State Classical Academy, 2002.
Degree in Legal Studies.
Principal place of employment: from 2005 to the present time, the Head of Corporate Events, IDGC of Centre.
Membership of the professional association of corporate secretaries: member of the National Association of Corporate Secretaries.
Percentage of the shares held in the Company: nil.
Percentage of the shares held in Company’s subsidiaries and affiliates: nil.
Elected as the Company’s Corporate Secretary on: June 19, 2017.
First elected as the Company’s Corporate Secretary: on 25 March 2009.
Affiliation with members of the Company’s management bodies or the Company’s shareholders, criminal record, record of administrative offences committed in business operations, finance, taxes and fees or the securities market: none.²



The Regulations on the Corporate Secretary are available on the official website of IDGC of Centre



SVETLANA V. LAPINSKAYA

Corporate Secretary of IDGC of Centre

1. Personal details are provided with the consent of Svetlana V. Lapinskaya.
2. Information on the Company's Corporate Secretary is available on the corporate website.

Remuneration of the Corporate Secretary

The Board of Directors determines the amount and procedure for payment of remuneration of, and bonus scheme for, the Corporate Secretary taking into account recommendations of the Personnel and Remuneration Committee.

The Company’s General Director signs an employment contract with the candidate approved by resolution of the Company’s Board of Directors, on the terms and conditions approved by the Company’s Board of Directors.

Under the terms and conditions of the employment contract, a monthly remuneration of RUB 40,000 is payable to the Corporate Secretary of IDGC of Centre.

Pursuant to the Regulations on Remuneration and Compensation of Members of the Board Committees, remuneration is also payable for the provision of secretary services to the Board Committees for each meeting of the relevant Committee in the amount equivalent to 0.5 minimum monthly wage as at the meeting date.

Remuneration of the Corporate Secretary in 2017

Type of remuneration	Amount, RUB (personal income tax included)
Corporate Secretary	470,215
Secretary of the Board Committees	356,693
Total	826,908

GENERAL DIRECTOR

The General Director is responsible for management of the Company’s day-to-day operations, except for matters that are the responsibility of the General Meeting of Shareholders, the Board of Directors, or the Management Board of the Company.

Born in 1969. A Russian citizen. In 1992, graduated from Krasnoznamenny Military Institute with a degree in Law and in 2004 – from Russian Presidential Academy of Public Administration. In 2011-2012, completed a professional retraining programme in Management in the Electric Power Industry. Doctor of Law. Author of over 35 publications in the field of law.

In 2011-2012, Mr Isaev served as General Director at Technopromexport, JSC, Chairman of the Board of Directors at Tyazhpromexport, JSC,

Since December 2012, he has been the General Director and Chairman of the Management Board of IDGC of Centre, since 2012 – a member of the Management Board, and since 2016 – a member of the Moscow Chamber of Commerce and Industry.

In 2016, Mr Isaev was elected to the Board of Directors of MOESK, PJSC.

Since November 2016 till September 2017, Mr Isaev has also been the acting General Director and Chairman of the Management Board of IDGC of Center and Volga Region, PJSC. Mr Isaev has several industry and stateawards. According to the Decree of the President of the Russian Federation, awarded a second-class medal of the Order of Merit for the Motherland for labour achievements, social activities and many years of diligent work For the significant contribution to the preparation and holding of the XXII Olympic Winter Games and the XI Paralympic Winter Games of 2014 in Sochi from the President of the Russian Federation, he was awarded a commemorative medal and a diploma.

Remuneration of the General Director

Remuneration of the General Director of IDGC of Centre is determined by the employment contract and the Regulations on Financial Incentives for the General Director of IDGC of Centre. Official salary, bonuses for achieving the Key Performance Indicators are paid to the General Director.

Bonuses are paid to the General Director based on the report on achieving KPIs approved by the Board of Directors in the following cases:

- ◆ based on achieving the KPIs of the Company for the quarter and for the full year;
- ◆ based on achieving the strategic priorities determined by the Company’s Board of Directors for the year.

In the reporting year, the General Director received bonuses for achieving the 2016 KPIs, as well as a special bonus for achieving the 2016 strategic priorities. These payments are included in the remuneration amount paid to members of the Company’s Management Board.



OLEG YU.
ISAEV

General Director of IDGC of Centre

MANAGEMENT BOARD

The day-to-day management of the Company's operations is exercised by the Management Board (a collective executive body) and by the General Director of the Company (a sole executive body). The executive bodies are accountable to the Board of Directors and to the General Meeting of Shareholders of IDGC of Centre.

The powers of the Management Board include:

- ◆ preparation of, and submission to, the Board of Directors of the development strategy of the Company;
- ◆ preparation of the annual (quarterly) business plan, including the investment programme, report on their performance; approval (adjustment) of cash flows;
- ◆ preparation of the annual report on the Company's financial and business operations, implementation of decisions taken by the Board of Directors and by the General Meeting of Shareholders by the Management Board;
- ◆ review of the reports of the Deputy General Directors;
- ◆ review of the information on the key operational risks, reports of the risk owners on management of operational risks, operational risks of key business processes and other processes of the Company;
- ◆ taking the decisions on the competence of the top management bodies of business entities with 100% of the authorised capital held by the Company;
- ◆ taking the decision on making transactions with property, operations and services worth 5 to 25% of the book value of the Company's assets;
- ◆ other issues under the Articles of Association and the Regulations on the Management Board of IDGC of Centre.

At present, the Management Board consists of seven members. All members possess the skills and experience to make balanced, well-informed decisions.



**OLEG YU.
ISAEV**

**Serves on the Management Board since
December 11, 2012**

**Chairman of the Management Board,
General Director of IDGC of Centre.**

**The biography of Oleg. Yu. Isaev can be found in Board
of Directors and General Director sections.**

1. There were no changes in the membership of the IDGC of Centre's Management Board in 2017.
2. In the reporting year, members of the IDGC of Centre's Management Board did not acquire/dispose of the Company's shares.
3. Throughout the entire Company's life, including 2017, no lawsuits against members of the Management Board (except for Chairman of the Management Board Oleg Yu. Isaev) were filed.
4. Members of the Company's Management Board hold no positions in other companies competing with the Company. In 2017, no conflicts of interest occurred.

MEMBERSHIP OF THE MANAGEMENT BOARD OF IDGC OF CENTRE AS AT DECEMBER 31, 2017:^{1,2,3,4}

**INNA V.
GROMOVA**

Serving on the Management Board since May 28, 2015

**Deputy General Director for Human Resources
Management and Organisational Design,
IDGC of Centre**

Born in 1967. A Russian citizen.

Graduated from International Institute of Economics and Law and was awarded a bachelor's degree in Law and a degree in Law in 1997 and 2002, respectively.

In 2015-2016, completed a professional retraining in "HR Director" programme.

Positions over the past five years:

From 2012 to 2013, Level 1 Adviser, HR Director of the HR Department at RAO Energy Systems of the East, OJSC.

Since 2013, Adviser to the General Director of IDGC of Centre.

Was elected as a member of the Board of Directors of Sanatorium Energetik, JSC.

Since July 2013, Deputy General Director for Human Resources Management and Organisational Design at IDGC of Centre.

In 2016-2017, a member of the Supervisory Body of the All-Russian Industry Association of Employers of the Power Sector.

Since 2016, a member of the Board of Trustees of Non-State Pension Fund of the Electric Power Industry, JSC.

In 2017, Adviser to the General Director of IDGC of Center and Volga Region, PJSC (part-time).

Does not own shares of the Company / shareholding in the Company.



**IVAN P.
KLEYMENOV**

Serving on the Management Board since February 15, 2010

**Deputy General Director – Nizhnovenergo Division
Director, IDGC of Center and Volga Region, PJSC.**

Born in 1960. A Russian citizen.

Graduated from Volgograd Agricultural University in Agribusiness Electrification discipline and was awarded degree in Electrical Engineering in 1987.

Positions over the past five years:

From 2009 to 2012, Chairman of the Board of Trustees of Voronezh Training Centre Energetik private educational institution.

From 2008 to 2016, Deputy General Director of IDGC of Centre – Voronezhenergo division Director.

Since 2017, Deputy General Director – Nizhnovenergo Division Director, IDGC of Center and Volga Region, PJSC.

Does not own shares of the Company / shareholding in the Company.



**KONSTANTIN A.
MIKHAILIK**

Serving on the Management Board since March 26, 2015

**First Deputy General Director,
IDGC of Centre**

Born in 1983. A Russian citizen.

In 2004, graduated from St Petersburg University of the Ministry of Internal Affairs of the Russian Federation with a degree in Law.
In 2005, graduated from Moscow State Institute of International Relations (University) of the Ministry of Foreign Affairs of the Russian Federation in Finance and Credit discipline with a degree in International Economy (with foreign language skills).
Degree – Doctor of Law.

Positions over the past five years:

From 2012 to 2013, Head of the Inspectorate for Control over the Central Bank of Russia and Financial Market Monitoring at the Department for Control over Sovereign Debt, the Banking System, the Central Bank of Russia, Credit and Financial Institutions and Federal Budget Expenditures for Communications and Information Technology.
In 2013–2014, held senior managerial positions at Intercomp, CJSC.
Since December 2014, First Deputy General Director at IDGC of Centre.
In March 2015, became First Deputy General Director of the Company.
Does not own shares of the Company / shareholding in the Company.



**ALEXANDER V.
PILYUGIN**

Serving on the Management Board since February 17, 2014

**First Deputy General Director – Chief Engineer,
IDGC of Centre**

Born in 1968. A Russian citizen.

In 1992, graduated from Kursk Polytechnic Institute in Electricity Supply discipline with a degree in Electrical Engineering.
In 2006, graduated from Kursk State Technical University (a state educational institution of higher professional education) with a degree in Management.

Positions over the past five years:

From 2008 to 2014, Deputy General Director of IDGC of Centre – Kurskenergo Division Director.
From February 2014 to November 2014, Deputy General Director – Chief Engineer of IDGC of Centre.
Since November 2014, First Deputy General Director – Chief Engineer of IDGC of Centre.
Since November 2016, a member of the Management Board, IDGC of Center and Volga Region, PJSC
From November 2016 to October 2017, Adviser to the General Director of IDGC of Center and Volga Region, PJSC (part-time).
Shares of the Company/shareholdings in the Company:
Owns 146,777 ordinary shares / a shareholding of 0.00035%.



**SERGEY YU.
RUMYANTSEV**

Serving on the Management Board since June 10, 2013

Adviser to the General Director, IDGC of Centre

Born in 1956. A Russian citizen.

In 1978, graduated from Moscow Institute of Management with a degree in Energy Industry Management (Engineer-Economist).
PhD in Economics.

Positions over the past five years:

Since 2008, held senior managerial positions at Inter RAO UES, OJSC, was in charge of investment and economic activities.
From 2013 to 2014, Chairman of the Board of Directors of Energy Service Company, OJSC.
From 2013 to 2016, Deputy General Director for Economics and Finance at IDGC of Centre.
Since December 2016, Adviser to the General Director at IDGC of Centre.
Since September 2017, Head of the Project Office, IDGC of Centre (part-time).
Since June 2017, member of the Board of Directors of Sanatorium Energetik, JSC.
Does not own shares of the Company / shareholding in the Company.



**LYUDMILA A.
SKLYAROVA**

Serving on the Management Board since October 15, 2014

**Chief Accountant – Head of the Department for Financial
and Tax Accounting and Reporting, IDGC of Centre.**

Born in 1958. A Russian citizen.

In 1982, graduated from the Correspondence Institute of Soviet Trade and was awarded a degree of Merchandiser of Higher Qualification in “Merchandizing and Trading of Food Products” Discipline.
In 1989, graduated from the Karaganda Cooperative Institute with a degree in Economics and Accounting in “Accounting and Business Analysis in the National Economy Sectors” discipline.

Positions over the past five years:

From 2006 to 2012, Chief Accountant and Chief Accountant – Department Director at MOESK, JSC.
Since 2013, Chief Accountant – Head of the Department for Financial and Tax Accounting and Reporting at the Company.
From April to September 2017, Adviser to the General Director of IDGC of Center and Volga Region, PJSC (part-time).

Does not own shares of the Company / shareholding in the Company.

The Chairman’s report on the performance of the Management Board in the reporting year

The Management Board of IDGC of Centre performs in line with the action plan approved on a quarterly basis.

In 2017, the Company’s Management Board held 39 meetings, including 38 meetings held by absentee voting. The Board reviewed more than 105 matters.

Given the geography of the coverage by IDGC of Centre, an extensive branch network, the main emphasis in the work of the Company’s Management Board in 2017 was made to control the activities of the Company’s branches.

To evaluate their activities, the Company uses the rating of the branches compiled on the basis of data on the achievement of key performance indicators of the branch in the reporting period, the dynamics of changes in each production indicator, as well as on the analysis of the reasons that affected the deterioration / improvement of indicators in the reporting period and the branch’s proposals for resolving problems in case of deterioration).

In 2017, along with matters related to day-to-day operations management, the Management Board paid serious attention to preparation of recommendations to the Board of Directors, in particular on setting prices (monetary equivalent) of services and assets acquired or sold under contracts made by the Company, and priorities for the Company.

Being a key actor in the risk management process, the Management Board devoted much of its time to setting up and improving a robust risk management framework in the Company.

The Management Board also reviewed Deputy General Directors’ quarterly reports on performance in their areas of responsibility, and dealt with social issues and matters related to management of the Company’s subsidiaries and affiliates.

Issues discussed at the Management Board’s meetings

Issues	2015	2016	2017
Number of meetings	43	37	39
Number of issues discussed	131	149	105
Including issues by category:			
Deputy General Directors’ reports by function	30	34	34
Strategy	20	27	18
Risk management	5	16	14
Finance	15	11	14
Transactions	38	43	9
Corporate governance / social policy	6	5	8
Management of subsidiaries and affiliates	10	4	5
HR policy	4	3	3
Other	3	6	-

IN 2017, THE MANAGEMENT BOARD PERFORMANCE WAS MAINLY FOCUSED ON MONITORING OF ACTIVITIES OF THE COMPANY’S BRANCHES

Attendance by Management Board members in 2017

Management Board member	Number of meetings	
	in 2017	attended by
Oleg Yu. Isaev	39	34
Inna V. Gromova	39	38
Ivan P. Kleymenov	39	36
Konstantin A. Mikhailik	39	38
Alexander V. Pilyugin	39	39
Sergey Yu. Rumyantsev	39	37
Lyudmila A. Sklyarova	39	32

Remuneration of the Management Board members

The members of the Management Board of IDGC of Centre are employees with leadership roles in the Company. In addition to the duties specified in their employment contracts, they have responsibilities as members of the Management Board.

The Management Board members receive a monthly remuneration of RUB 15,800 for service on the Management Board.

By resolution of the Company’s Board of Directors, members of the Management Board are classified as senior managers. In accordance with the Regulations on Financial Incentives and Social Benefits for Senior Managers of IDGC of Centre approved by the Company’s Board of Directors, Senior managers receive bonuses based on key performance indicators and their achievement in the reporting period (quarter and year).



List of IDGC of Centre’s KPI for 2017 and their target values are available in Appendix to the Annual Report on the Company’s website

Remuneration paid to the Management Board members in 2017

Type of remuneration	Amount of remuneration, RUB thou. (personal income tax included)
Remuneration for service on a management body	926
Salary	50,842
Bonuses	50,066
Fees	
Other types of remuneration	
Reimbursement of expenses related to service on the Management Board	
Total	101,834

In 2017, the General Director and senior managers that are members of the Management Board received remuneration and special bonuses by the end of 2016.

INTERNAL CONTROL, AUDIT AND RISK MANAGEMENT

INTERNAL CONTROL SYSTEM

Internal control system of the Company (ICS) is an element of the common management system of the Company aiming to provide reasonable guarantees the goals in the following areas will be achieved:

- ◆ operational efficiency and strong performances of the Company including achievement of financial and operating results, protection of the Company's assets;
- ◆ compliance with applicable laws and local regulations in the Company's commercial activities and financial accounting;
- ◆ reliability and timeliness of accounting (financial) statements and other reports.

The ICS covers all areas of the Company's activities; control procedures are adhered to at all times across all the processes (all business activities) of the Company and at all management levels.

The Company adopted the new version¹ of the Internal Control Policy of IDGC of Centre.

It defines the objectives, principles and components of the Company's ICS, main roles and responsibilities of actors in internal control, and ICS performance assessment procedure.

The Company has in place the Procedure of implementation of the Internal Control Policy requirements. This Procedure defines the aspects of application of the Rules under the Internal Control Policy².

Control procedures for processes and sub-processes of the core and supporting activities, as well as governance processes of the Company are recorded in control and risk matrices.

In line with the resolution of the Company's Board of Directors taken on March 30, 2017 (Minute No. 07/17), the Management Board of the Company approved the plan on improvement of the internal control system and risk management system of IDGC of Centre on April 28, 2017 (Minute No.12/17).

1. Resolution of the IDGC of Centre Board of Directors dated March 1, 2016 (Minutes No.04/16)

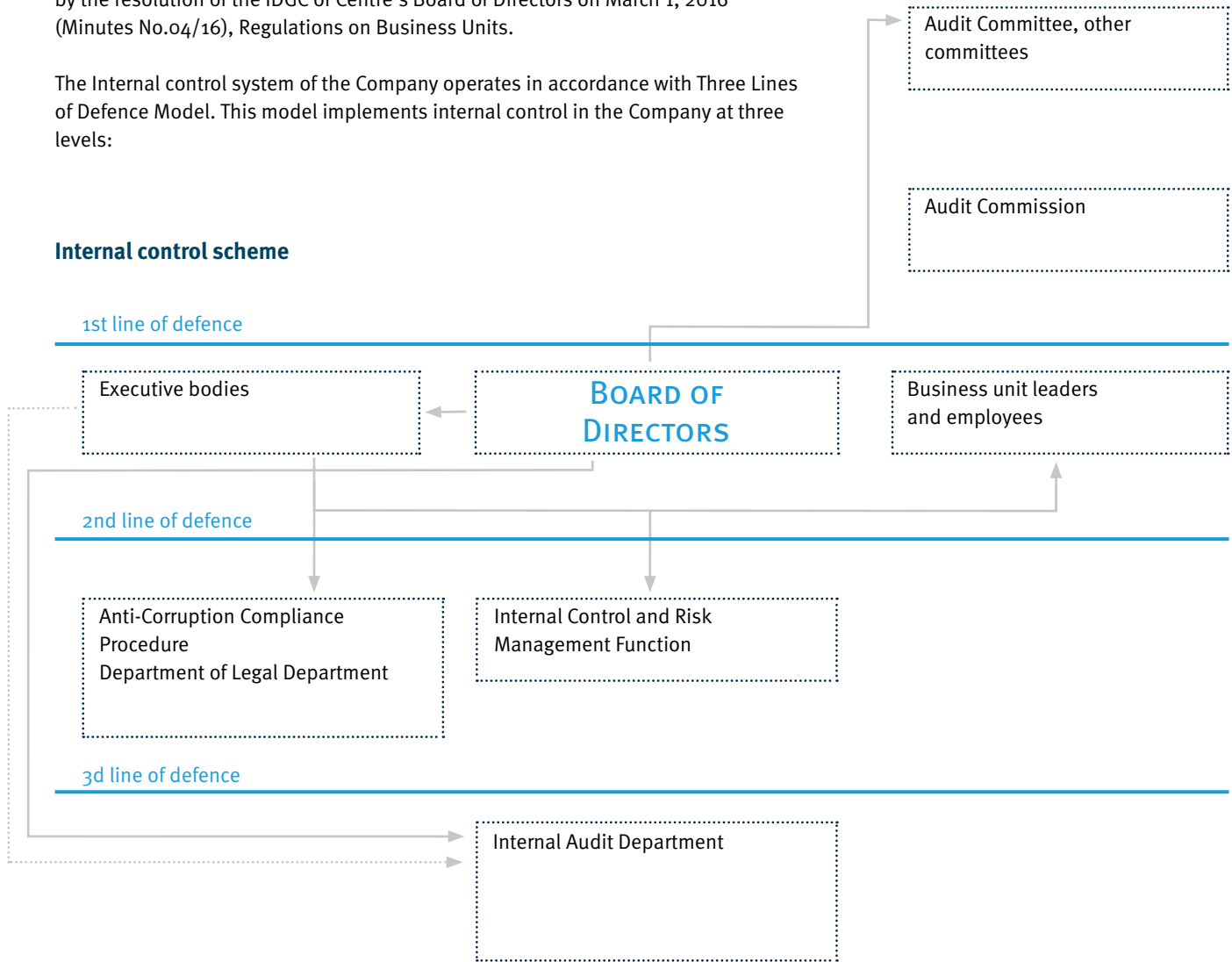
2. Order of the Company's No.22-TsA dated January 31, 2017

Functions of the Internal Control System actors

Functions of ICS actors are regulated by Company’s Internal Control Policy approved by the resolution of the IDGC of Centre’s Board of Directors on March 1, 2016 (Minutes No.04/16), Regulations on Business Units.

The Internal control system of the Company operates in accordance with Three Lines of Defence Model. This model implements internal control in the Company at three levels:

Internal control scheme



Actor	Key functions in the ICS
Audit Commission	<ul style="list-style-type: none">control over the Company's financial and business operations;independent assessment of the reliability of data in the Company's annual report and annual accounting (financial) statements.
Board of Directors	<ul style="list-style-type: none">determination of the principles and criteria to organisation of the Company's internal control system, including approval of the Company's internal documents, determining organisation and strategy for developing and improving the Company's ICS; approval of the Company's Internal Control Policy;control over the activities of the Company's executive bodies in the key (priority) areas;review of the Management Board's report on organisation and performance of the Company's ICS;annual review of the internal auditor's reports on the ICS efficiency;review of the results of external independent assessment of the ICS efficiency.
Audit Committee of the Board of Directors	<ul style="list-style-type: none">preliminary review (prior to the approval by the Board of Directors) of the Company's internal documents determining organisation and strategy for developing and improving the Company's ICS, the Internal Control Policy, and further modifications;preliminary review (prior to review by the Board of Directors) of the results of assessment of the ICS efficiency based on the report of the internal auditor, as well as reports on the results of external independent assessment of the ICS; preparation of proposals / recommendations on improvement of the ICS;control over the reliability and efficiency of the ICS with due regard to the following issues: ensuring accuracy of accounting (financial) statements of the Company; supervising the process of selection of an external auditor and external auditing; ensuring compliance with regulatory requirements; considering the Management Board's report on organisation and performance of the ICS; analysis and assessment of compliance with the Internal Control Policy.

Actor	Key functions in the ICS
Reliability Committee of the Board of Directors	<ul style="list-style-type: none">evaluation of the completeness and adequacy of measures taken following the results of incident investigation in line with the Rules of electric power incident investigation (approved by the Government of the Russian Federation Decree No.846 dated October 28, 2009), as well as control over their implementation;examination of the programmes to prevent and reduce the risk of personal injury to the Company's employees or third parties, as well as control over their implementation;control and assessment of the Company's technical services performance in terms of ensuring operational reliability and safety of power grids;examination of the internal technical control system of the Company.
Strategy and Development Committee of the Company's Board of Directors	<ul style="list-style-type: none">control over the execution of programmes and projects.
Management Board of the Company	<ul style="list-style-type: none">establishes directions and strategies of development and improvement of ICS;prepares reports on the Company's financial and business operations, organization and functioning of the Company's ICS;considers the results of external independent assessment of the ICS efficiency; it also works on measures for development and improvement of the ICS.
General Director of the Company	<ul style="list-style-type: none">approval of the Company's regulatory and methodological documents on organisation and functioning of the ICS, except for the documents within the competence of the Company's Board of Directors;implementation of the Company's business plans to achieve targets;accounting and administrative reporting, preparation of accounting (financial) and other statements;submission of the reports on the Company's financial and business operations, organisation and functioning of the Company's ICS for the consideration of the Company's Board of Directors.
Heads of the Company's Business Units	<ul style="list-style-type: none">design, document, implement, monitor and develop ICS in the Company's functional areas, whose organisation and coordination / implementation they are responsible for in accordance with the Company's regulatory documents / regulations on structural units, including:implementation of the ICS principles;development of effective processes (activities) including development and implementation with regard to the identified risks of new control procedures or changes in the existing ones;regulation of supervised processes (activities);implementation of control procedures;assessment (monitoring) of control procedures performance;assessment of the supervised processes (activities) to determine the necessity of their optimisation to increase efficiency and align them with the changes in external and/or internal operating conditions of the Company, development of proposals to improve the control procedures;elimination of identified drawbacks of control procedures and processes (activities).
Employees of the Company's business units performing control procedures as part of their professional duties	<ul style="list-style-type: none">implementation of the control procedures;prompt informing of immediate superiors on cases when implementation of control procedures becomes impossible for any reasons, and/or if it is necessary to change the design of control procedures due to changes in internal and/or external operating conditions of the Company;submission of proposals on introduction of control procedures in relevant areas of activities for the consideration of the immediate superior.
2nd Line of Defence	
Internal Control and Risk Management Function	<ul style="list-style-type: none">development and implementation of the framework and methodological documents related to creation and improvement of the ICS;assistance to the management in creating the control environment, development of recommendations for description and implementation of control procedures into processes (activities) and assignment of responsibility for officials;coordination of the activity aimed at maintaining and monitoring the target state of the ICS;preparation of information on the state of the internal control system for stakeholders;interaction with the state regulatory authorities regarding internal control issues.
Anti-Corruption Office	<ul style="list-style-type: none">performance of initiatives to implement principles and requirements of the Anti-Corruption Policy;implementation of control measures to identify corruption and other offences;implementation of anti-corruption examination of executive documents, QMS documents and their drafts.
Legal Department	<ul style="list-style-type: none">legal examination of the Company's draft orders and decrees;approval of draft contracts for compliance with the applicable legislation of the Russian Federation and local regulatory acts of the Company.
3d Line of Defence	
Internal Audit Department	<ul style="list-style-type: none">development of recommendations for improving control procedures and certain components (elements) of the internal control and the ICS based on the results of internal audit;internal independent assessment of the ICS efficiency and provision of recommendations for improving the efficiency and effectiveness of the ICS.

Assessment of ICS Efficiency

In order to guarantee that the ICS is efficient and complies with changing requirements and conditions, the Company assesses the efficiency of the ICS, i.e., its compliance with the target status and the maturity level.

In 2017, the Company’s internal auditor performed the independent internal assessment of the ICS performance in 2016; no external assessment was made.

Considering the internal assessment results, in 2017, the Company scored 4.9 out of 6 points on the maturity level of the internal control system that corresponds to the 5th (optimal) level on the maturity assessment scale.

The ICS efficiency by 2017 results was reviewed at the meeting of the IDGC of Centre’s Board of Directors with a preliminary discussion thereof by the Audit Committee of the Company’s Board of Directors in March 2018.

The ICS efficiency by 2016 results was reviewed at the meeting of the IDGC of Centre’s Board of Directors (Minutes No.07/17 dated March 30, 2017) with a preliminary discussion thereof by the Audit Committee of the IDGC of Centre’s Board of Directors (Minutes No.03/17 dated March 16, 2017). In 2016, the Company scored 4.8 out of 6 points on the maturity level of the internal control system that corresponds to the 5th (optimal) level on the maturity assessment scale.

ICS improvement

- In the reporting year the Company implemented the following key measures aimed at improvement of the ICS:
- ◆ in compliance with the approved schedule, systematic efforts are taken to develop and approve the risk matrices and control procedures of Company’s business processes/business services. In 2017, the Company managed to develop and approve risk matrices and control procedures for 8 business processes/business services. As at January 1, 2018, 29 risk matrices and control procedures of business processes/business services were approved.
 - ◆ control matrices were adapted under the Company’s orders¹. In 2017, the employees involved in internal control and risk management participated in a training workshop organised by PJSC ROSSETI on Internal Audit, Internal Control and Risk Management.

MATURITY LEVEL OF THE COMPANY’S INTERNAL CONTROL SYSTEM BY THE END OF 2017 SCORED 4.9 OUT OF 6 POINTS

INTERNAL AUDIT

Internal audit in the Company is the responsibility of the Internal Audit Department of IDGC of Centre.

The internal audit is functionally accountable to the Company’s Board of Directors that monitors and organises the activities of the Internal Audit Unit, including approval of an internal audit action plan, the report on performance of that plan and the budget of the Internal Audit Unit, approval of decisions on the appointment, termination, and remuneration of the Head of the Internal Audit Unit.

The goals and objectives, organisational and functional principles, roles and responsibilities of the Internal Audit Department are set out in the new version of Internal Audit Policy of IDGC of Centre approved by the resolution of the Board of Directors (Minutes No. 03/17 dated 22 February, 2017).

In 2017, the internal audit function comprised seven employees.

During 2017, 46 control procedures were run as part of internal audits.

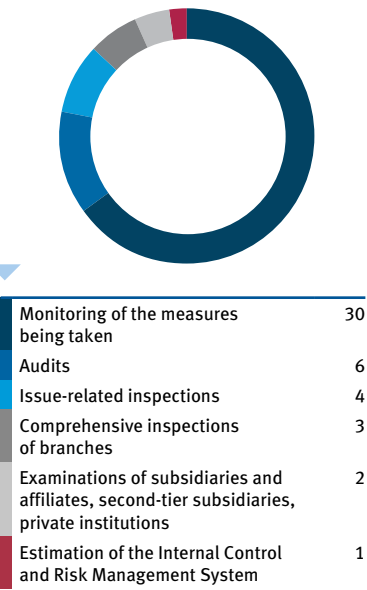
A total of 437 corrective actions were executed out of 437 actions that were due in the reporting year (including the activities to be carried out based on the control procedures performed by the Department in previous periods).

AUDIT COMMISSION

The Company’s financial and business operations are supervised by the Audit Commission, which is elected by the General Meeting of Shareholders and holds office until the next Annual General Meeting of Shareholders.

- Key roles of the Audit Commission:
- ◆ control over the Company’s financial and business operations;
 - ◆ independent assessment of the reliability of data in the Company’s annual report and annual accounting (financial) statements.

Results of the control procedures, %



Regulations on the Audit Commission are available on the website of IDGC of Centre

1. Order «On Amendments to the Certificates of Business Processes of IDGC of Centre in terms of Risk Matrices and Control Procedures» (No. 151-TsA dated April 28, 2017, No. 265-TsA dated July 28, 2017, No. 365-TsA dated October 27, 2017)

MEMBERS OF THE AUDIT COMMISSION¹

SVETLANA A.
KIM

First elected to the Audit Commission
on June 25, 2015

Chair of the Audit Commission

Born in 1981. A Russian citizen.

In 2004, graduated from Moscow State University of Railway
Engineering with a degree in Commerce.

Since 2013, Head of the Internal Audit Office of the Internal Audit and
Control Department at PJSC ROSSETI. From 2008 to 2013, Head of
Investment Control Function of the Control and Audit Department at
FGC UES, JSC.

Does not own shares of IDGC of Centre and its subsidiaries, did not
acquire/dispose of shares in 2017.

ELENA S.
ERANDINA

First elected to the Audit Commission
on June 8, 2016

Born in 1972. A Russian citizen.

In 1994, graduated from Moscow State University of Environmental
Engineering with a degree in Economics and Management in
Agribusiness.

In 2006, graduated from State University of Management with a degree
in Finance and Credit.

Since 2016, Chief Expert of the Control and Expert Office of the Internal
Audit and Control Department at PJSC ROSSETI.

From 2013 to 2015, Chief Specialist of the Internal Audit Service at
ELEKTROSERVIS of the UNES, OJSC. Until 2013, Deputy Head of the
Financial and Business Audit Office of the Internal Control Department
at Oil Assets Management, JSC.

Does not own shares of IDGC of Centre and its subsidiaries, did not
acquire/dispose of shares in 2017.

SERGEY V.
MALYSHEV

First elected to the Audit Commission
on June 26, 2014

Born in 1965. A Russian citizen.

In 1986, graduated from Yaroslavl Higher Military Financial School with
a degree in Economics and Finance.

Since 2013, Lead Expert of the Investment Audit Unit of the Internal
Audit Office of the Internal Audit and Control Department at PJSC
ROSSETI. Before that, worked at the Control and Audit Department of
FGC UES, JSC, the Capital Construction Department of Gazpromneft –
Aero, CJSC, served as Lead Consultant at the Financial Inspectorate of
the Ministry of Defence of the Russian Federation.

Does not own shares of IDGC of Centre and its subsidiaries, did not
acquire/dispose of shares in 2017.

OXSANA A.
MEDVEDEVA

First elected to the Audit Commission
on June 25, 2015

Born in 1978. A Russian citizen.

Graduated from the Magadan branch of Russian Academy of
Entrepreneurship with a degree in Accounting, Analysis and Audit.

Since 2014, Chief Expert of the Internal Audit Office of the Internal
Audit and Control Department, Head of the General and Internal
Audit Unit of the Internal Audit Office of the Internal Audit and Control
Department at PJSC ROSSETI.

From 2011 to 2014, Head of the Unit of the Control and Audit
Department at FGC UES, JSC. From 2010 to 2011, Head of the Internal
Audit Unit at Baikal-Servis TK LLC.

Does not own shares of IDGC of Centre and its subsidiaries, did not
acquire/dispose of shares in 2017.

1. Current members of the Audit Commission were elected by the Annual General Meeting
of Shareholders on June 8, 2017. Data on the members of the Audit Commission
is provided as at December 31, 2017.

ELENA B.
SINITSINA

First elected to the Audit Commission
on June 8, 2017

Born in 1971. A Russian citizen.

In 1996, graduated from Lomonosov Moscow State University with a degree in Jurisprudence. In 2001, graduated from Russian Presidential Academy of Public Administration with a degree in State and Municipal Management.

Since 2013, Head of the Methodology Unit of the Control and Risks Office of the Internal Audit and Control Department, Deputy Head of the Control and Risk Office of the Internal Audit and Control Department, Head of the Control and Risk Office of the Control Department at PJSC ROSSETI. Currently, Head of the Control and Expert Office of the Internal Audit and Control Department.

From 2012 to 2013, Head of Control Function of the Internal Control Directorate.

Does not own shares of IDGC of Centre and its subsidiaries, did not acquire/dispose of shares in 2017.

SERGEY I.
OCHIKOV

First elected to the Audit Commission
on June 26, 2014

Sergey I. Ochikov was a member of the Audit Commission until June 8, 2017

Born in 1983. A Russian citizen.

In 2004, graduated from Krasnoyarsk State Technical University with a degree in Power Plants and Substations. In 2007, graduated from Siberian Federal University with a degree in Economics and Management of Energy Companies.

Since 2017, Head of the Internal Control and Risk Management Directorate at Kubanenergo, PJSC.

From 2013 to 2017, Lead Expert of the General Audit Unit of the Internal Audit Office of the Internal Audit and Control Department, Lead Expert of the Internal Audit Directorate at PJSC ROSSETI.

Since 2009, worked at energy companies as an expert in internal audit and risk management.

Does not own shares of IDGC of Centre and its subsidiaries, did not acquire/dispose of shares in 2017.

1. Information is based on the latest personal data provided by Sergey Ochikov.

In 2017, the Audit Commission held five meetings to review matters of approval of the Audit Commission’s action plan, election of the Commission’s chairman and secretary, and matters directly related to audits.

In the reporting year the Audit Commission held one scheduled audit of financial and business operations of IDGC of Centre for 2016, and passed a positive opinion following the audit.

Remuneration of members of the Audit Commission

In 2017, the Company paid out RUB 794,000 to members of the Audit Commission for their audits of financial and business operations.

EXTERNAL AUDIT

The annual General Meeting of Shareholders held on June 8, 2017 approved RSM RUS Ltd. as the Company’s auditor for 2017.

The Auditor provides audit services to IDGC of Centre in respect of its RAS annual accounting (financial) statements and IFRS annual consolidated financial statements for 2017.



The resolutions of the Company’s Audit Commission are available on the official website of IDGC of Centre

Full company name	RSM RUS limited liability company
Primary State Registration Number (OGRN)	1027700257540, registration date: September 27, 2002, Certificate 77 No. 005424578, issued by the Ministry of Taxation of the Russian Federation
Taxpayer ID Number (INN) / Registration Code (KPP)	7722020834/ 772901001
Address	4 Pudovkina St., Moscow, 119285, Russia
Phone/Fax	+7 (495) 363-28-48, 981-41-21
Email/ website	mail@rsmrus.ru http://rsmrus.ru/
Membership of auditors' self-regulating organisations	Membership Certificate No. 6938 issued by Sodruzhestvo Auditor Association Non-Profit Partnership Self-Regulatory Organisation of Auditors based on Sodruzhestvo Auditor Association Management Board resolution dated September 25, 2013

In order to ensure the independence and objectivity of the external auditor, its selection is based on public bidding. The bidding process is organised via an electronic trading platform at: www.b2b-energo.ru. In 2016, an invitation to bid for audit services for 2015-2017 was posted on the corporate website at <http://www.rosseti.ru/>; the results were announced on March 25, 2016.

Bidder evaluation criteria were defined in advance in the tender documents.

Based on the results of the bidding process, a candidate was selected and nominated by the Audit Committee and pre-approved by the Board of Directors of the Company.

The current Auditor is a leading Russian audit and consultancy company established in 1992. Professional liability of RSM RUS is insured by the National Insurance House, a Russian insurance company.

The Auditor is not affiliated with employees or management of the Company.

RSM RUS does not have any business relations (is not involved in promotion of products (services), or business activities, etc.) or contracts for services other than audit services, or family connections with officials at IDGC of Centre.

The Auditor does not provide any non-audit services to the Company.

Auditor fees are set by IDGC of Centre Board of Directors at RUB 2.9 mn, including VAT. This amount includes audit fees for both RAS and IFRS statements for 2017.



Digital trading platform
www.b2b-energo.ru



An invitation to bid for audit services for 2015–2017

2.9 RUB MN

(at 2016 level)
THE COMPANY’S AUDITOR
FEES SET BY IDGC
OF CENTRE’S BOARD
OF DIRECTORS

RISK MANAGEMENT

THE COMPANY HAS A ROBUST RISK MANAGEMENT SYSTEM IN PLACE (THE “RMS”). THE PURPOSE OF THE RMS IS TO ENSURE SUSTAINABLE CONTINUOUS OPERATION AND DEVELOPMENT OF THE COMPANY THROUGH TIMELY IDENTIFICATION, ASSESSMENT AND EFFECTIVE MANAGEMENT OF RISKS THAT THREATEN TO HAMPER THE EFFECTIVE RUNNING OF BUSINESS OR DAMAGE THE REPUTATION OF THE COMPANY, HEALTH OF ITS EMPLOYEES, THE ENVIRONMENT, OR PROPERTY INTERESTS OF ITS SHAREHOLDERS AND INVESTORS.

In course of the risk management system organisation, functioning and development, the Company tends to follow main principles and approaches defined in COSO Enterprise Risk Management — Integrated Framework (2004) and international standard 9 GOST R ISO 31000:2010 Risk Management — Principles and guidelines.

In March 2016, a new version of the Company’s Risk Management Policy was adopted by the resolution of the IDGC of Centre’s Board of Directors.

Principles of the risk management system operation (Section 3 of the Risk Management Policy

- ◆ creation and protection of the Company’s values;
- ◆ risk management is an integral part of all organisational processes;
- ◆ risk management is a part of the decision making process;
- ◆ risk management is a systematic, structured and well-timed process;
- ◆ risk management is a continuously running cyclic process;
- ◆ risk management is based on best available information;
- ◆ risk management is an adaptable process;
- ◆ risk management is a transparent process and accommodates the interests of stakeholders;
- ◆ risk management is a dynamic, iterative (repeated) process sensitive to changes;
- ◆ risk management contributes to permanent improvement of organisation;
- ◆ responsibility for risk management;
- ◆ optimality principle;
- ◆ consistency of methodological procedures.



The document is available on the official website of IDGC of Centre

Functions of the RMS actors (Section 4 of the Risk Management Policy):

Actor name	Key functions within the RMS
Board of Directors	<ul style="list-style-type: none">• Approves internal documents of the Company, which determine organisation and functions of the RMS;• Approves the Company's Risk Management Policy;• Annually reviews reports of the Company's executive bodies on organisation, functioning and efficiency of the risk management system, evaluates the system performance and designs recommendations for its improvement;• Annually reviews reports of the internal audit department on the RMS efficiency;• Reviews the results of external independent assessment of the RMS efficiency.
Strategy and Development Committee of the Board of Directors	<ul style="list-style-type: none">• control over the effectiveness of the risk management procedures;• Efficiency assessment of risk management and RMS improvement activities;• Preview of executive bodies' reports on organisation and functioning of the risk management system before they are submitted to the Board of Directors;• Review of proposals on improvement of the risk management system, including risk identification issues and risk parameter adjustment;• Preview of the Company's internal documents specifying the RMS organisation and functioning, Risk Management Policy and further amendments thereto, before their approval by the Board of Directors;• Preview and preparation of a conclusion on the text of the Company's Annual Report section addressing the risk management system, before its approval by the Board of Directors.
Audit Commission	Based on audit results, drafts proposals/recommendations for the risk management system improvement
Executive bodies	<ul style="list-style-type: none">• cater for setting up of the RMS and maintenance of its efficient functioning based on uniform approaches and standards developed and approved for ROSSETI Group of Companies;• Bear responsibility for execution of decisions of the Board of Directors as to organisation and functioning of the RMS.
Management Board / General Director of the Company	<ul style="list-style-type: none">• Sets up requirements to the format and completeness of information on the Company's risks;• Establishes directions and strategies of the RMS development and improvement;• Analyses the risk portfolio and develops the strategy of response actions and redistribution of resources to manage the relevant risks;• Annually prepares a report on organisation, functioning and efficiency of the Company's risk management system, as well as proposals on the RMS development and improvement for review by the Board of Directors;• At least once in six months reviews reports of the risk management department on risk management results and the estimation of RMS efficiency;• Reviews the results of internal estimation of RMS efficiency; designs measures for the RMS development and improvement;• Provides efficient risk management within current activities of the Company;• Approves the Company's regulatory and methodological documents on organization and functioning of the RMS, except for the documents within the competence of the Company's Board of Directors;• Annually submits for review by the Board of Directors a report on organisation, functioning and efficiency of the Company's Risk Management System, as well as proposals on the RMS development and improvement.
Risk owners	<ul style="list-style-type: none">• Timely identification and assessment of risks;• Selection of the risk response method;• Timely development and organisation of risk management activities;• Regular risk monitoring;• Timely informing of the Company's executive bodies about the results of risk management activities;• Provision of efficient interaction with the risk management department in terms of documents and reports developed as part of the risk management activities.
Persons in charge of risk management activities	<ul style="list-style-type: none">• Timely identification and/or mitigation of risks in compliance with job instructions and approved regulations;• Timely carrying out of the full scope of risk management activities.
Risk management function	<ul style="list-style-type: none">• General coordination of risk management processes including interaction of all RMS participants;• Implementation of methodological documents related to provision of the risk management process and RMS functioning in the Company;• Organisation of the RMS training for the Company's employees;• Timely aggregation of information concerning all identified risks and preparation of proposals on updating the risk register;• Monitoring of risk management processes in the Company, if required and in the order established by the controlled entities;• Preparation of a report, at least once in six months, and informing of the Company's executive bodies about the results of risk management activities and the RMS efficiency estimation;• Making the annual report on organisation, functioning and efficiency of the Company's risk management system, as well as on other issues specified in the Risk Management Policy.
Internal audit department	<ul style="list-style-type: none">• Executes internal independent assessment of the risk management system efficiency and provides the risk management function with recommendations for improvement of RMS efficiency and effectiveness;• Informs the Company's executive bodies and Board of Directors (authorised Committee at the Board of Directors) about the state of the risk management system.

Assessment of the risk management system

In order to guarantee that the RMS is efficient and complies with changing requirements and conditions, the internal auditor of the Company assesses the RMS efficiency, i.e., its compliance with the target status and maturity level.

Independent internal assessment of the RMS efficiency was carried out by the Company's internal auditor; no external assessment was undertaken within the reporting period.

Considering the internal assessment results, in 2017, the Company scored 4.8 out of 6 points on the maturity level of the internal control system that corresponds to the 5th (optimal) level on the maturity assessment scale.

Risk management development plans for 2018

Action plan for improvement of ICS and RMS is approved by the Company's Board of Directors following the review of the assessment of the ICS and RMS efficiency in 2017 performed by the internal auditor of the Company.

The Company's Board of Directors has not reviewed the assessment for 2017 so far. The ICS and RMS development plan for 2018 has not been approved.

Draft action plan of the ICS and RMS development for 2018 provided for the following activities aimed at maintaining the maturity level by the end of 2018:

- ◆ Practical implementation of self-assessment of business process efficiency by process owners;
- ◆ Regulation and implementation of risk identification process;
- ◆ Development and implementation of methods for assessment of completeness and efficiency of risk management activities, including assessment criteria;
- ◆ Training of employees of the Company's Executing Body business units responsible for internal control and risk management;
- ◆ Introduction of the internal document regulating the order for determination of the acceptable risk level (risk appetite) at the Company (after development and approval by PJSC ROSSETI);
- ◆ Preparation of proposals on inclusion of activities for employee upskilling in risk management into prospective long-term plans of personnel training;
- ◆ Feasibility study of changing/amending the standard Regulations on business units of the Company and introducing the internal control and risk management function into them;
- ◆ Evaluation of design and operational efficiency of control procedures for business processes.

4.8 POINTS

SCORED BY THE INTERNAL CONTROL SYSTEM THAT CORRESPONDS TO THE 5TH (OPTIMAL) MATURITY LEVEL

Risk classification

The Company identified 16 key operational risks in accordance with the standard Key Operational Risk Register of ROSSETI Group of Companies. The Key Operational Risk Register is approved by the resolution of the Company's Board of Directors (Minutes No.01/15 dated January 30, 2015). This Register includes risks of the Company's operational management level significantly affecting the performance of target indicators of the business plan.

In compliance with the standard operational risk registers for core and other business processes of ROSSETI Group of Companies, the Company identified and approved operational risk registers for core and other business processes:

- ◆ Operational risk register for core business processes (28 risks) – approved by the Company's order No.291-TsA dated September 29, 2014.
- ◆ Operational risk register for other business processes (59 risks) – approved by the Company's order No.397-TsA dated December 31, 2014.

Risk assessment

IDGC of Centre approved the Operational Risk Assessment Methodology in accordance with the standard Methodology of operational risk assessment at ROSSETI Group of Companies.

The Methodology is based on the principle of operational risk grouping by types of consequences. Assessment parameter for each risk is specified relative to the consequence type. The assessment results allow to range the risks depending on the deviation of selected parameters from the target value. Risk ranging results are presented graphically in form of the Risks map of IDGC of Centre.

Risks are assessed using one of two methods – based on scenario and expert judgement or on expert judgement only. Assessment results allow to determine the risk significance level in compliance with three significance scale ranges established by the Methodology (moderate, significant, critical). If the scenario analysis results show that the indicator underlying the risk is expected to deviate to the positive side, 'not-applicable' entry is made to the report forms.

Changes of the Company's key operational risks

S.No.	Risk	Unit of measurement	Key operational risk index	Risk significance by the end of 2016	Risk significance by the end of 2017	Risk occurrence by the end of 2017, RUB mn or points
1	Risk of deviation of the electricity transmission service scope from the value given in the business plan	mn kWh	KOR-001	Not applicable	Not applicable	Not occurred
2	Risk of deviation of the average tariff for electricity transmission services from the value used when preparing the business plan	RUB/thous kWh	KOR-002	Not applicable	Not applicable	Not occurred
3	Risk of deviation of the grid connections from the value established in the business plan	MW	KOR-003	● Moderate	● Moderate	Failure to fulfil the scope of 445 MW, while "Revenue from grid connections" indicator is reached
4	Risk of deviation of the loss compensation cost value from that specified in the business plan	RUB mn	KOR-004	● Significant	● Critical	Overrun of loss compensation costs for RUB 981 mn (7.8%)
5	Risk of deviation of uncontrollable costs from the value established in the business plan, saving costs for electricity purchase to compensate losses	RUB mn	KOR-005	● Moderate	● Critical	Uncontrollable costs exceeded the planned level by RUB 1,278 mn (2.8%)
6	Risk of increase in OPEX vs those specified for the target period	RUB mn	KOR-006	Not applicable	● Significant	OPEX exceeded the planned level by RUB 244 mn (1.2%)
7	Risk of deviation of the overdue accounts receivable from the value specified in the business plan	RUB mn	KOR-007	Not applicable	Not applicable	Not occurred
8	Risk of deviation of Debt/EBITDA indicator from that specified in the business plan	point	KOR-008	● Significant	● Significant	Not occurred
9	Risk of deviation of the net profit from the value established in the business plan	RUB mn	KOR-009	● Moderate	Not applicable	Not occurred
10	Risk of failure to meet the key metrics of the investment program	RUB mn	KOR-010	● Moderate	● Moderate	Not occurred
11	Risk of deviation of "per unit investment cost reduction" indicator (%) from the value specified for the target period	%	KOR-011	● Moderate	● Moderate	Not occurred
12	Risk of failure to achieve the capacity utilisation indicator established for the target period	%	KOR-012	Not applicable	● Moderate	Not occurred
13	Risk of failure to achieve the reliability level of electricity transmission services specified by the tariff regulation	point	KOR-013	● Significant	● Significant	Not occurred
14	Risk of failure to achieve the quality level of grid connection services specified for the tariff regulation	point	KOR-014	● Moderate	● Moderate	Not occurred
15	Risk of accident occurrence through a fault of the Company	cases	KOR-015	● Critical	● Critical	2 cases (9 points)
16	Risk of deviation of the labour productivity increase indicator from the value specified in the business plan	RUB thous/manhours	KOR-016	● Moderate	● Moderate	Not occurred

Risk management and reporting

Critical risks are not acceptable for IDGC of Centre, so they are subject to priority management. Significant risks are not critical, but have substantial effect on operation of IDGC of Centre and are subject to management. Moderate risks do not have significant effect on operation of IDGC of Centre though they are subject to periodic monitoring.

In order to mitigate the risks, the Company develops and approves action plans for the Company’s operational risk management specifying persons responsible for implementation of actions. The plans are developed annually and in accordance with the Methodology.

Risk management activities are designed such that their implementation is strictly aimed at elimination of risk factors, risk mitigation, reduction of risk occurrence probability. Key operational risk owners and owners of activities for key operational risk management designed target indicators (performance indicators) for each activity. These indicators are monitored quarterly.

Risk owners monitor and assess the risks on quarterly basis. In accordance with the resolution of the Company’s Board of Directors, reports on operational risk management are submitted:

- ◆ Quarterly – risk owners’ report on operational risk management for review by the Management Board of the Company;
- ◆ Mid-year – report of the Company’s Sole Executive Body on key operational risk management for review by the authorised Committee at the Company’s Board of Directors.
- ◆ Year end – report of the Company’s Sole Executive Body on key operational risk management for review by the Company’s Board of Directors, with the report being previewed at the meeting of the authorised Committee at the Board of Directors.

The Sole Executive Body of the Company prepares its report on key operational risk management for the Company’s Board of Directors and authorised Committee at the Board of Directors considering data from quarterly reports on operational risk management of the Company’s risk owners.

RISK OWNERS MONITOR AND ASSESS THE RISKS ON QUARTERLY BASIS.

Risks occurred by the end of 2017

Risk index	Key factors	Basic risk management activities
KOR-003	Non-fulfilment of the grid connections in terms of the loads to be connected is caused by failure of applicants to perform activities under GC contracts.	Performance of liabilities accrued by subsidiaries and affiliates under previously signed grid connection contracts, the terms of which were infringed by the subsidiaries and affiliates. Regular updating of the grid connection demand based on previously signed grid connection contracts and issued technical specifications. Ensuring development of the standard list of grid connection activities by subsidiaries and affiliates that should be executed using own resources without increasing the headcount of administrative, management and production personnel of the subsidiaries and affiliates. Updating of grid connection applications from consumers on a continuous basis.

Risk index	Key factors	Basic risk management activities
KOR-004	Increase of actual costs vs planned occurs mainly due to the factors beyond control of the Company’s management: increase of non-regulated price (a significant factor is the mechanism of the Government of the Russian Federation for cost cutting at the Far East), as well as reduced cost of variable losses incorporated into electricity prices on the wholesale market (a significant factor is the exclusion of the variable loss cost from the price calculation under the Decree of the Government of the Russian Federation No.810 dated June 7, 2017).	Performance of energy saving and energy efficiency programmes, including programmes for electricity loss reduction and those for prospective development of electricity metering systems. Regular checking of activities of territorial business unit as to service sales and reduction of electricity losses. Monitoring of data on loss volumes and electricity prices used by guaranteeing suppliers for calculation of the electricity loss cost.
KOR-005	The indicator is not performed mainly due to decreased cost of variable losses. Price for electricity transmission services rendered by PJSC FGC UES is planned with regard to exclusion of the variable loss costs. In light of amendments to the Rules of non-discriminatory access to electricity transmission services and rendering of such services introduced by the Decree of the Government of the Russian federation No. 810 dated June 7, 2017, since August 1, 2017, the variable loss value is not to be considered in payments for electricity transmission services. Thus, since August 1, 2017, service fee of PJSC FGC UES for the Company was increased against the plan by the planned value of variable losses.	Monitoring and forecast of electricity flows to the grids (from the grids) of related grid organisations, physical parameters of electricity and capacity balance, works improvement of accuracy and reliability as to planning of costs of services of related grid organisations. Validity check of regulatory solutions in terms of costs of PJSC ROSSETI’s subsidiary for services of related grid organisations, revision of regulatory solutions for prevention of lost incomes (non-compensated expenditures) at PJSC ROSSETI’ subsidiary. In case of revenue shortfalls, submission of required documents to the regulatory authorities for their compensation in the next regulatory period.
KOR-006	The indicator is not fulfilled mainly due to increased costs of activities to reduce electricity losses.	–
KOR-015	The risk occurred due to an internal factor – non-compliance with the occupational safety requirements and lack of supervision by people responsible for safety of work.	Systematic advance training of the personnel and their practical training in safe operation skills and methods, including development of skills of safe conduct at the production site and prevention of hazardous situations. Implementation of the employee motivation system for full compliance with occupational safety requirements. Functioning of the system responding to violation of occupational safety requirements (workplace checks, spot checks of working teams (teams of PJSC ROSSETI’s subsidiaries and affiliates and third parties), including those on non-working days, holidays and weekends, and at night), monitoring of work organisation at the facilities, unconditional adoption of enforcement actions in relation to the employees violating the occupational safety requirements. Ensuring of occupational safety by: <ul style="list-style-type: none">• distribution of certified, high-quality protective equipment, washing off and decontamination means, serviceable tools, accessories and monitoring of their correct usage;• implementation and use of technologies providing safe work performance and ensuring occupational safety.• Observation of the requirements of legal regulations on maintenance, occupational, fire, industrial and environmental safety, including during design, construction, reconstruction and retrofitting.• Monitoring of performance/implementation of programmes comprising occupational safety requirements and aimed at prevention of injuries (programme for elimination of injury-risk places, etc.), organizational and regulatory documents.• Timely health and safety briefings and checking of the quality of data digestion.• Use of printed, radio and television media to inform the community about hazards associated with approaching and staying within electric facilities,• inadmissibility of violations of power grid security requirements, giving electrical safety lessons in child-care facilities.• Provision of complete and qualitative study of informative materials about injuries. Timely performance of measures specified in instruction acts and operational orders issued based on results of supervisory authority checks and monitoring within the framework of technical supervision, as well as activities for elimination of accident causes given in the investigation reports.• Ensuring of road traffic safety by:<ul style="list-style-type: none">• provision of checks of occupational safety and road traffic safety requirements during operation of motor vehicles, including state of premises and parking lots for vehicles;• control over the observation of cargo transportation/passenger carriage rules and speed limits.• taking of enforcement actions in relation to the employees violating the road traffic rules.• Organisation of psychophysiological support of professional activity reliability.• Recording of obligations and responsibilities of the third-party personnel for safe work performance at running electrical facilities and those under construction, retrofitting, reconstruction, as well as monitoring of observation of safety requirements by the personnel during work performance.• Medical examinations of employee (preliminary, regular, pre-trip, pre-shift (on request of the employers)).• Provision of efficient functioning and continuous improvement of the occupational safety management system.

ANTI-CORRUPTION INITIATIVES

In 2017, the Department responsible for prevention and countering of corruption offences in the Company operated in line with the organizational/administrative and regulatory documents and undertook measures aimed at implementing the principles and requirements of the Anti-Corruption Policy of PJSC ROSSETI and its subsidiaries and affiliates, as approved by the Board of Directors of IDGC of Centre.

In order to generate the common approach to adhering to the requirements of article 13.3. of the Federal law No. 273, the Company is taking comprehensive efforts to introduce the good practice standards and procedures.

Checking the Information on Potential Corruption Offences and Other Abuses.

In the reporting period, IDGC of Centre received 268 hotline calls, 257 of them were readdressed to whom they might concern, 11 were admitted to examination. The checks proved the suspected corrupt practices to be false.

The Company carried out the comprehensive checks of financial and business operations of the branches, adhering of officials to the requirements of organizational and administrative documents of PJSC ROSSETI and IDGC of Centre, particularly in countering the corruption offences: disclosures of counterparties' chains of ownership, availability of anti-corruption sections in the contracts.

Prevention and Resolution of Conflict of Interest

The Company's Conflict of Interest Resolution Policy is based on compliance of the following principles:

- ◆ a personal example of the management in the formation of a culture of intolerance towards corruption and the creation of an intra-organizational corruption prevention and counteraction system;
- ◆ employee job commitment: employees awareness of anti-corruption laws and active participation in development and implementation of anti-corruption standards and procedures;

- ◆ adequacy of anti-corruption procedures to potential damage and to the occurrence probability of the Company's corruption risk;
- ◆ efficiency of anti-corruption procedures: anti-corruption measures, which are simple to implement and yield the significant result;
- ◆ responsibility and inevitability of punishment for the Company's employees, irrespective of the position held, work experience and other conditions in case they committed corruption offenses in connection with their labour duties;
- ◆ transparency of business operations: communication of information to the partners, counterparties, and community about the business anti-corruption standards adopted in the Company.

In the reporting period, in order to implement the measures on prevention of conflict of interests at the Company:

- ◆ 1,357 declarations of candidates were checked, with relevant conclusions on candidate approval/non-approval for vacancy made. Maintenance of Register on Candidates. 7 candidates were given negative conclusions;
- ◆ for 2017, 109 asset, income and property liability disclosures of the management staff of the Company and its branches (total of 602 people) were checked: 109 – the Company's officials and 493 – their close relatives). The checks showed no signs of the conflict of interest and pre-conflict situation related to the job duties of the above-mentioned parties; 12 facts of partial disclosure of information were detected, such deficiency was eliminated on a routine basis;
- ◆ 4,961 conflict of interest declarations made by the Company's employees were checked. Declaration results were reviewed by the Committee on Corporate Ethics Compliance and Conflict of Interest Resolution;
- ◆ 359 procurement procedures were checked by IDGC of Centre, PJSC, 359 conclusions were made, there are no negative conclusions. 1,495 procurement participants were investigated.

1. Approved by the resolution of the Board of Directors of IDGC of Centre Minutes dated 13.02.2017 No.02/17

Prevention of corruption when interacting with partners and counterparties

The Company ensures the transparency of financial and business operations and compliance with anti-corruption laws, particularly:

- ◆ communication of information to the partners and counterparties about programmes, standards for conduct, procedures and rules focused on corruption prevention and counteraction, joining of the Company to the Russian business Anti-corruption Charter and inclusion of the Company in the Register of Reliable Partners;
- ◆ compliance with the unified Anti-Corruption Standard during implementation of anti-corruption procurement control, which includes inspection of procurement documentation and participants of procurement/counterparties to evaluate their reliability and probity, resolve conflicts of interest, exclude affiliation and other abuses related to positions held in the Company.

Within the framework of the anti-corruption control the following was checked:

- ◆ signing of anti-corruption obligations by a procurement participant as to compliance with, and implementation of, the principles and requirements of the Company's Anti-Corruption Policy, including the obligation not to commit any corruption and other offences;
- ◆ submission of a declaration on conflict of interest and/or affiliation relations with the Company's employees;
- ◆ delivery of information about the entire chain of ownership, including beneficiaries (comprising the ultimate ones), data on the structure of executive bodies, as well as consent to personal data processing;
- ◆ inclusion of an anti-corruption clause into the contract;
- ◆ monitoring of the registers of signed contracts and supplemental agreements loaded to the AS CAIB as to timely submission of information by business units of the Company and its subsidiaries and affiliates;
- ◆ loading to AS CAIB of information on contracts and supplemental agreements signed in the Company and its subsidiaries and affiliates (data on 4,429 contracts with 3,141 counterparties checked and entered into the AS CAIB).

Participation in collective Anti-Corruption Initiatives to prevent and terminate corruption offences

In 2017, the Company established and ensured interaction with the representatives of the Russian business-community: Chamber of Commerce and Industry of the Russian Federation, all-Russian public organisations: Russian Union of Industrialists and Entrepreneurs, Business Russia, OPORA of RUSSIA and other members of the Russian business Anti-corruption Charter

INSIDER INFORMATION PROTECTION

IDGC of Centre handles large amounts of insider information. Its classification and disclosure methods take into account responsibility for maintaining trade secrets and confidentiality.

In 2011, in order to prevent misuse of insider information, the Company adopted the Regulations on Insider Information, providing for internal procedures that promote compliance with the law and internal policies.

Insider information protection activities comprised the following measures:

- ◆ the new insiders were consulted (with respective explanation given) how to use insider information at the Company;
- ◆ the compliance with the insider information laws was checked and amendments made to the laws on insider information control were monitored;
- ◆ 24 insider individuals were included in the list, 50 insiders excluded. As at December 31, 2017, the Company's insiders list comprises 247 insider individuals. As for the list of legal entities, 2 insiders were included, 2 insiders -excluded. As at December 31, 2017, the Company's insiders list comprises 19 insider legal entities;
- ◆ quarterly reports were submitted to the Board of Directors following the measures taken to comply with the insider information control laws.

MANAGEMENT OF CONFLICT OF INTEREST

The Company attaches great importance to the timely prevention and fair resolution of conflict of shareholders' interests.

Prevention and resolution of conflicts between the Company's shareholders and management bodies, as well as between shareholders, if such conflict affects the Company's interests, allows to respect and protect the shareholders' rights and to protect the Company's property interests and business reputation.

When taking the activities on resolution of shareholders' conflict of interest, the Company relies on, and fully complies with, the laws and internal documents of the Company.



Detail on the Register of members of the Anti-Corruption Charter of the Russian business is available on the website of the Chamber of Commerce and Industry of the Russian Federation



The Regulations on the Information policy is available on the official website of IDGC of Centre



The Regulations on the Insider Information is available on the official website of IDGC of Centre

SECURITIES

SHARES

Share Capital

As at December 31, 2017, the authorised capital of IDGC of Centre amounts to RUB 4,221,794,146.80 and is split into 42,217,941,468 ordinary shares (outstanding shares) with a par value of 10 kopecks each. There are no preference shares.

The number of authorised shares is 258,532 ordinary registered shares with a par value of 10 kopecks each. Authorised shares were formed by the Company reorganisation in 2008 in the form of its merger with regional grid companies as a difference between the number of authorised and outstanding shares. No additional share issues were issued in 2017. There are no cross-held shares.

Shareholding Structure

As at the last record date for the Annual General Meeting of Shareholders (May 15, 2017), 17,588 persons were registered in the Company's register of shareholders (including disclosures of the clients of the nominee shareholders). Major shareholders include PJSC ROSSETI, holding 50.2%, and Genhold Limited, holding 15.0% in the authorised capital.

As at December 31, 2017, 14,273 persons were registered as shareholders (without data on the clients of the nominee shareholders). As at December 31, 2017, major nominal shareholders of IDGC of Centre include Limited Liability Company Depository and Corporate Technologies (50.2%) and Non-Banking Credit Organisation Closed Joint-Stock Company National Settlement Depository (43.7%).

4,221,794,746.80

RUB
AUTHORISED CAPITAL
OF IDGC OF CENTRE AS
AT DECEMBER 31, 2017

Prosperity Capital Management Limited has a direct or indirect right to dispose of 20.85% of the Company's shares.

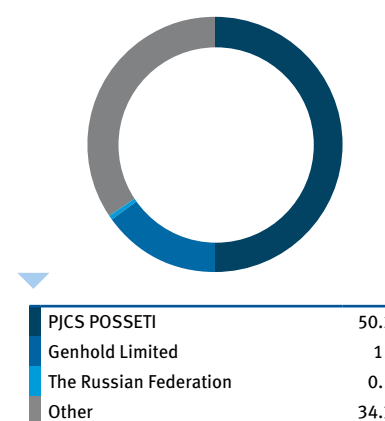
IDGC of Centre is not aware of any shareholdings exceeding 5%, except for those disclosed by the Company.

IDGC of Centre is not aware of any shareholders that may acquire or acquired a degree of control disproportionate to their shareholdings in the Company, including pursuant to shareholder agreements.

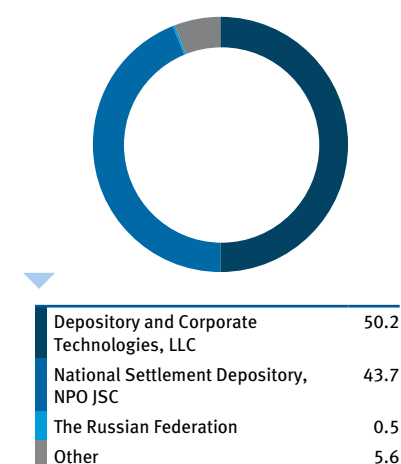
THE SHARE HELD BY
THE RUSSIAN FEDERATION
IN THE COMPANY'S
AUTHORISED CAPITAL IS

0.46 %

Major shareholders as
at May 15, 2017, %



Major shareholders as
at December 31, 2017, %



Shareholding structure, % of outstanding shares

Equity Structure as at December 31, 2017		Equity Structure as at May 15, 2017 (last record date)	
Holders	% of outstanding shares	Holders	% of outstanding shares
Individuals	4.8	Individuals	10.1
Legal entities	1.1	Legal entities	89.2
Nominal holders	94.1	Nominal holders	0.7
Trustees	0.0	Trustees	0.0
Total:	100	Total:	100
Russian residents	99.9	Russian residents	67.8
Non-residents of Russia	0.1	Non-residents of Russia	32.2
Total:	100	Total	100

Shareholding structure in terms of shareholders' geography:

Country	Number of shareholders	% of total number of shareholders	Number of shares	% of equity
Russia	17,462	99.28%	28,628,852,549	67.8121%
Cyprus	44	0.25%	10,768,289,700	25.5064%
Norway	1	0.01%	914,654,120	2.1665%
Luxembourg	3	0.02%	580,023,921	1.3739%
Cayman Islands	2	0.01%	447,239,708	1.0594%
Switzerland	8	0.05%	335,876,984	0.7956%
USA	5	0.03%	216,363,618	0.5125%
Great Britain	13	0.07%	197,178,444	0.4670%
Netherlands	1	0.01%	34,471,000	0.0817%
Ireland	2	0.01%	19,605,718	0.0464%
Other	47	0.27%	75,385,706	0.1786%
Total	17,588	100.00%	42,217,941,468	100.00%

Registrar

VTB Registrar, JSC acts as a specialised registrar of IDGC of Centre and maintains its shareholder register. VTB Registrar, JSC is a modern specialised register holder providing high reliability of register keeping and storing and professional approach to dealing with issuers and shareholders. 100% of shares of VTB Registrar belong to JSC Bank VTB, this provides additional reliability of the registrar business and ultimately meets the requirements of the enterprises with the state participation about disclosure of information concerning the entire chain of owners of the counteragent organizations, including final beneficiaries. The company has over 23 years of licensed experience. Currently, VTB Registrar includes 53 regional units and provides services to more than 7,900 issuers.

For the convenience of shareholders and their representatives, the registrar’s branches are functioning across all regions in which the Company operates, as well as in major Russian regions. In addition, shareholder relations managers provide necessary advisory services at the Company’s branches.



Website of VTB Registrar, JSC



Website of IDGC of Centre



For more details on the free-float index calculation procedure please visit the Moscow Exchange website

Exchange Listings

Since 2008, ordinary shares of IDGC of Centre have been traded on the Moscow Exchange. As at 31 December 2017, its shares were listed in the Second Tier of the quotation list. IDGC of Centre’s shares are included in the calculation basis of MICEX BMI, MICEX PWR, MCXSM and MOEX RCI indices of Moscow Exchange. According to the Index Committee of the Moscow Exchange, the free float ratio of IDGC of Centre’s shares is 34%.

Price and capitalisation as at December 29, 2017			
Share price (at close), RUB			0.356
Share price (at close), USD			0.0062
Share price (weighted average), RUB			0.3570
Share price (weighted average), USD			0.0062
Capitalisation (at weighted average price), RUB mn			15,071.8
Capitalisation (at weighted average price), USD mn			261.5
Tickers and indices			
Tickers of stock exchanges and trading systems (primary)	ISIN	ISIN RU000AOJPPL8	
	Moscow Exchange	MRKC	
	Bloomberg	MRKC RX	
	Reuters	MRKC.MM	
	Moscow Exchange:	Index share	
Stock exchange indices	• MICEX PWR;	2.07%	
	• MCXSM;	0.70%	
	• MICEX BMI;	0.05%	
	• RCI.	1.76%	
Quotation lists, Moscow Exchange	August 18, 2017	Second Tier	
	January 31, 2017	Third Tier	

Capitalisation

For the period from December 30, 2016 to December 29, 2017, the Company’s capitalisation decreased by 19.4% and amounted to RUB 15,071.8 mn. Three short-term trends in IDGC of Centre’s share performance were observed throughout the year.

In the first quarter of 2017, the Company’s shares declined, following the global market tendency. However, since April 2017, renewed interest in buying Company’s shares has been registered. For the next five months, the price of shares grew by more than 50%, also due to positive market reaction to the publication of financial performance for the first six months of 2017.

Since the end of August 2017, the downtrend in share price was observed that was allegedly associated with a number of statements made by the Major Shareholder management on the dividend payment prospects. Additional negative background for the Company’s shares was the financial performance for the nine months of 2017 affected by additional profit taxation resulting from the exclusion of mobilisation training costs from the non-sale expenses for tax purposes.

Notwithstanding the improvement of financial performance outlook according to the Company’s Business Plan approved in late December 2017 and also considerable increase of trading turnover, the Company ended the year with its shares close to minimum values.

15,071.8

RUB MN
THE COMPANY’S
CAPITALISATION AS
AT DECEMBER 29, 2017

Capitalisation in 2015–2017

	2015	2016	2017	Variance, 2017/2016, %
Capitalisation, RUB mn	8,232.5	18,702.5	15,071.8	–19.4 %

Capitalisation of IDGC of Centre’s shares and the trading volume vs key market indicators and key events are shown below.

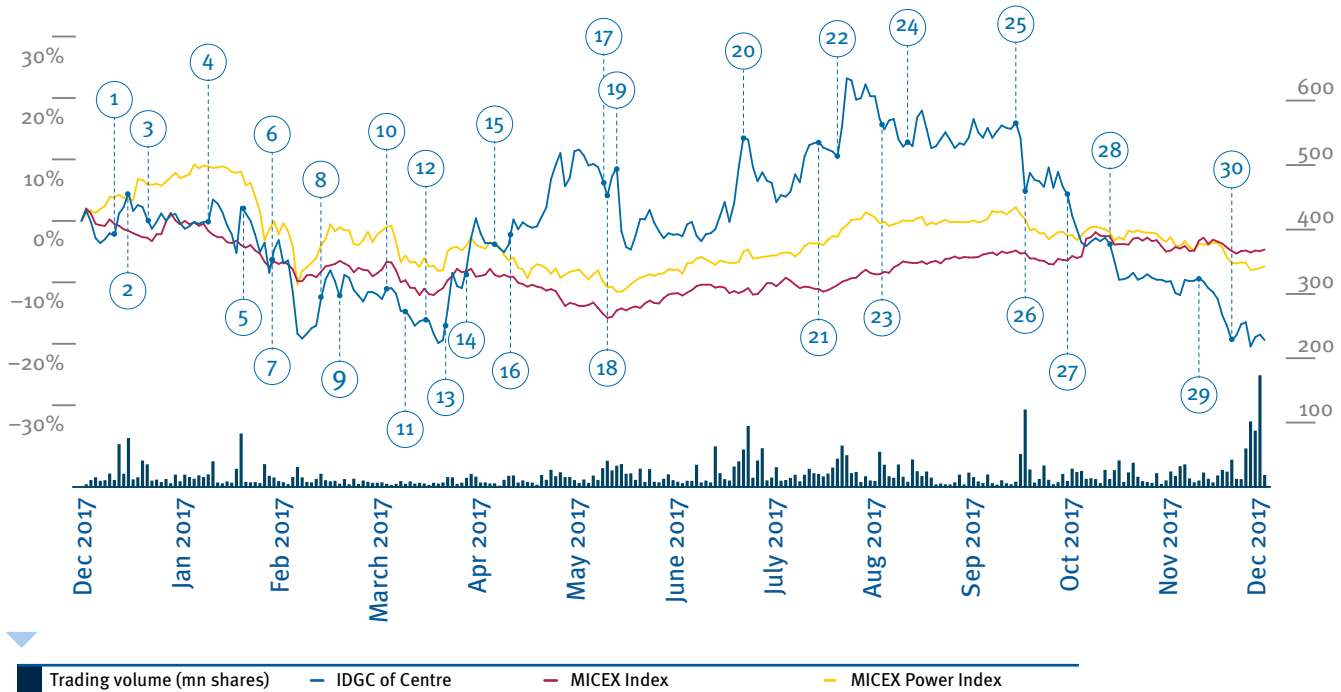


Chart-highlighted events and news that impacted trading volumes:

Chart number	News	Date	Source	Effect
1	The Russian Government was committed to oblige state-owned companies to allocate 50% of their net profit to dividends	January 12, 2017	External	Positive
2	The Russian Ministry of Energy proposed the options to offset the revenue shortfall of regional distribution grid companies due to the termination of “last mile” contracts	January 19, 2017	External	Positive
3	On 31 January 2017, IDGC of Centre’s shares were transferred from the First Tier to the Third Tier of the quotation list by the decision of the Moscow Exchange	January 20, 2017	Internal	Negative
4	IDGC of Centre published its preliminary results of electricity transmission activities in 2016	February 9, 2017	Internal	Positive
5	The Russian Ministry of Energy proposed to oblige ROSSETI subsidiaries to pay out dividends in the amount of 25% of the net profit under RAS in 2016.	February 20, 2017	External	Negative
6	IDGC of Centre published its RAS financial statements for 2016; the reported net profit increased by 2.1 times	February 27, 2017	Internal	Positive
7	ROSSETI’s management discussed the possibility of transition to a single share with the shareholders of IDGC of Centre and IDGC of Center and Volga Region.	February 27, 2017	Internal	Positive
8	IDGC of Centre published its IFRS statements for 2016, the reported net profit increased by 433%	March 16, 2017	Internal	Positive
9	Standard & Poor’s upgraded its outlook on IDGC of Centre’s credit rating from stable to positive.	March 24, 2017	Internal	Positive
10	ROSSETI proposed that the power transmission tariff be divided into federal and regional parts	April 3, 2017	External	Positive
11	The regulators proposed to offset the revenue shortfall of IDG of Centre due to the termination of “last mile” contracts by ROSSETI’s dividends	April 11, 2017	External	Negative
12	The Head of ROSSETI announced that the company was willing to pay out dividends at 25% of the net profit	April 18, 2017	External	Negative
13	The Russian Ministry of Economic Development intends to phase out cross-subsidisation in power engineering	April 24, 2017	External	Positive
14	IDGC of Centre published its accounting (financial) statements under RAS for the first quarter of 2017; the reported net profit was RUB 2.1 bn	April 28, 2017	Internal	Positive
15	The Russian Government decided on the priority option for “last mile” offsetting	May 10, 2017	External	Positive
16	The Board of Directors of IDGC of Centre recommended the Company’s Annual General Meeting of Shareholders to pay 100.0 % of RAS net profit for 2016 as dividends.	May 16, 2017	Internal	Positive
17	According to mass media, officers from the police and Moscow Investigative Committee conducted searches at IDGC of Centre as part of the initial inquiry into tax evasion	June 14, 2017	Internal	Negative
18	The experts of BCS Financial Group revised their assessments and recommendations regarding the shares of analysed companies of the power sector: assessments and recommendations for shares of MOESK and IDGC of Centre were withdrawn due to low liquidity	June 15, 2017	Internal	Negative
19	June 19 is the last date for receipt of dividend paid in securities of MOESK and IDGC of Centre. On Tuesday, June 20, the companies’ securities were traded without dividend	June 20, 2017	Internal	Negative
20	IDGC of Centre published its RAS financial statements for the first six months of 2017, the reported net profit more than doubled year-on-year	July 27, 2017	Internal	Positive
21	IDGC of Centre’s shares were transferred to the Second Tier of the Moscow Exchange quotation list.	August 17, 2017	Internal	Positive
22	IDGC of Centre published its production results for the first six months of 2017 under IFRS, EBITDA increased by 27.9%	August 23, 2017	Internal	Positive
23	V. Korolev, Deputy Head of the FAS of Russia, announced that the regional authorities might lose their right to raise tariffs for electricity and housing utilities above the threshold average growth level established by the Russian Government	September 6, 2017	External	Negative
24	Powers of the Sole Executive Body of IDGC of Centre and Volga Region were delegated to IDGC of Centre	September 11, 2017	External	Positive
25	ROSSETI intends to address the Russian Government with a request not to pay dividends	October 17, 2017	External	Negative

Chart number	News	Date	Source	Effect
26	ROSSETI and subsidiaries – withdrawal of recommendations by Gazprombank	October 18, 2017	External	Negative
27	IDGC of Centre published its RAS financial statements for the nine months of 2017	October 30, 2017	Internal	Negative
28	The Russian Government approved the requirements to lamps in order to reduce lighting costs and negative impact on the environment	November 15, 2017	External	Negative
29	Russian President Vladimir Putin requested to restrict the electricity tariff growth to the inflation rate	December 13, 2017	External	Negative
30	The Board of Directors of IDGC of Centre approved the Company’s Business Plan for 2018	December 22, 2017	Internal	Positive

IDGC of Centre’s share performance against indices in 2016-2017

Metric	IDGC of Centre		MICEX Index		MICEX Power Index		Regulated company index	
December 29, 2017 (weighted average)	0.3570		2,109.74		1,816.30		1,142.84	
December 30, 2016 (weighted average)	0.4430		2,232.72		1,984.16		1,154.55	
Change	–19.4%		–5.5%		–8.5%		–1.0%	
MAX (at close)	August 25, 2017	0.5445	January 3, 2017	2,285.43	February 3, 2017	2,189.86	N/A	N/A
MIN (at close)	December 26, 2017	0.3485	June 15, 2017	1,817.82	June 19, 2017	1723.11	N/A	N/A

At year-end 2017 the shares of DGC of Centre were below the level of major Moscow Exchange indices, but the share performance remained positive for most of the year and higher than both MOEX and MICEX Power Indices.

Key securities market data for the Company in 2015-2017

Metric	2015	2016	2017	Variance, 2017/2016
Number of transactions	48,840	113,864	134,736	18.3%
Trading turnover, mn shares	3,808.1	9,753.1	4,381.2	–55.1%
Trading turnover, mn shares	901.1	2,935.7	1,946.4	–33.7%
Trading turnover, % of Free float²	26.5	67.9	30.5	–37.4 p.p
Average daily number of transactions	195	452	535	18.4%
Average daily spread, %	0.51%	0.51%	0.36%	–0.15 p.p
Earnings per share (EPS)¹, RUB	0.02	0.04	0.05	25.0%
Dividend yield³	4.15%	9.15%	N/A	–
EV/EBITDA¹	3.30	3.52	2.85	–0.67 p.
P/E¹	9.06	10.02	7.42	–2.60 p.
TSR⁴	–21.5%	132.7%	–9.4%	–142.1 p.p.

The share trading volume at the Moscow Exchange (main trading mode T+) in shares was 10% of the total number of shares (23% in 2016), whereas the RUB trading volume was the third among all IDGCs (it was the highest among all IDGCs in 2016). The average daily number of transactions with shares at the Moscow Exchange (main trading mode T+) was 535, a 18.4% increase year-on-year (452 trades in 2016). This metric was the second among all IDGCs. The average annual spread for the year was 0.36%, this figure was down 0.15 p.p. year-on-year (0.51% for 2016). During the year, the Company focused on increasing share liquidity and engaged a market-maker for maintaining the prices and trading volume.

BONDS

During 2017, the IDGC of Centre’s series BO-02, BO-03, BO-04, and BO-05 bonds with a total face value of RUB 20 bn were traded on the Moscow Exchange.

On November 21, 2017, early repayment of series BO-03 bonds with a total value of RUB 5 bn was performed.

Thus, the Company’s series BO-02, BO-04, and BO-05 bonds with a total face value of RUB 15 billion and a 10-year maturity are traded on the Moscow Exchange by the end of 2017.

The placement of IDGC of Centre’s bonds was arranged by Gazprombank (JSC). The NSD acts as depository.

The Company also has a registered bond issue, which is yet to be placed (series BO-06).

THE COMPANY’S SERIES BO-02, BO-04, AND BO-05 BONDS WITH A TOTAL FACE VALUE OF RUB 15 BN AND A 10-YEAR MATURITY ARE TRADED ON THE MOSCOW EXCHANGE.

1. Calculated based on RAS data by formulas: EPS = Net profit / Authorised capital. EV/EBITDA = (Capitalisation+ Net debt)/(Net profit + Income tax and other similar mandatory charges + Interest payable + Depreciation). P/E = Capitalisation / Net profit.

2. According to the Index Committee of the Moscow Exchange, as at December 29, 2017, the free float ratio was 34%.

3. Calculated as a ratio of annual dividends paid out per share and the market price of that share as at the date of the resolution on the amount of dividends.

4. Formula: ((Weighted average share price at period end – weighted average share price at period beginning + dividend accrued on share in the reporting period, approved by the AGM) / weighted average share price at period beginning)*100%.

Key bond issue data

Key securities issue data	Bonds				
	BO-02	BO-03	BO-04	BO-05	BO-06
Quantity, bonds	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Face value, RUB	1,000	1,000	1,000	1,000	1,000
Amount, RUB	5,000,000,000	5,000,000,000	5,000,000,000	5,000,000,000	5,000,000,000
ID number	4B02-02-10214-A	4B02-03-10214-A	4B02-04-10214-A	4B02-05-10214-A	4B02-06-10214-A
ID number assigned on	June 25, 2013	June 25, 2013	June 25, 2013	June 25, 2013	June 25, 2013
ISIN	RU000A0JVGD2	RU000A0JYYH6	RU000A0JYYL8	RU000A0JWR44	–
Other ID features	Put option in 3 years following the start date of placement	Put option in 5 years following the start date of placement and early repayment option in 2 years	Put option in 7 years following the start date of placement, additional option on November 19, 2019	Put option in 10 years following the start date of placement, additional options on August 23, 2019 and August 20, 2021	–
Start date of placement	June 5, 2015	November 24, 2015	November 24, 2015	August 26, 2016	Not placed
Maturity date	May 23, 2025	November 11, 2025 (early repayment on November 21, 2017)	November 11, 2025	August 14, 2026	–
Maturity	10 years	10 years	10 years	10 years	10 years
Coupon rate, %	12.42	11.80	11.58	9.32	–
Exchange	Moscow Exchange				
List	Third Tier				
Coupon yield per bond, RUB	61.93	58.84	57.74	46.47	–

In November 2016, the Company approved its series 001P Exchange-Traded Bond Programme and Prospectus (bonds placed as part of the series 001P Exchange-Traded Bond Programme).

The total face value of all exchange-traded bond issues placed as part of the series 001P Exchange-Traded Bond Programme is up to RUB 40 bn (inclusive); with bonds maturing in not more than 10,920 days from the start date of the bond issue placement. ID number of the series 001P Exchange-Traded Bond Programme: 4-10214-A-001P-02E, dated December 21, 2016.

The obligations of IDGC of Centre to pay coupon yield on the bonds were met in full and in a timely manner:

Coupon No.	BO-01	BO-02	BO-03	BO-04	BO-05
1	RUB 178,520,000 (April 17, 2013)	RUB 309,650,000 (December 4, 2015)	RUB 294,200,000 (May 24, 2016)	RUB 288,700,000 (May 24, 2016)	RUB 232,350,000 (February 24, 2017)
2	RUB 178,520,000 (October 16, 2013)	RUB 309,650,000 (June 3, 2016)	RUB 294,200,000 (November 22, 2016)	RUB 288,700,000 (November 22, 2016)	RUB 232,350,000 (August 25, 2017)
3	RUB 178,520,000 (April 16, 2014)	RUB 309,650,000 (December 2, 2016)	RUB 294,200,000 (May 23, 2017)	RUB 288,700,000 (May 23, 2017)	
4	RUB 178,520,000 (October 15, 2014)	RUB 309,650,000 (June 2, 2017)	RUB 294,200,000 (November 21, 2017)	RUB 288,700,000 (November 21, 2017)	
5	RUB 178,520,000 (April 15, 2015)	RUB 309,650,000 (December 1, 2017)			
6	RUB 178,520,000 (October 14, 2015)				

DIVIDEND POLICY

The Regulations on the Dividend Policy aim at providing a stable, long-term and predictable level of dividend payments to shareholders in order to improve the investment appeal of the Company and its market capitalisation. The dividend policy is based on a balance between the interests of shareholders and the Company’s needs.

The version of the Regulations on the Dividend Policy approved by the Company’s Board of Directors on April 20, 2016 (Minutes No. 12/16 dated April 21, 2016) was effective during 2017. On February 2, 2018, the Board of Directors approved a new version of the Company’s Regulations on the Dividend Policy. The document is brought in compliance with the Decree of the Government of the Russian Federation No. 1094-p dated May 29, 2017 and with the Company’s Articles of Association. Additionally, a new version includes the regulations from the Methodology approved by Rosimushchestvo (the Federal Agency for State Property Management) and the Corporate Governance Code recommended by the Bank of Russia. The Dividend Policy defines the key principles of maintaining transparency of the dividend allocation mechanism and its payment procedure, disclosing the information on the Company’s Dividend Policy to shareholders and other stakeholders, and also determines the procedure of decision-making on dividend payout (declaration), dividend payment terms and calculation procedure.

Dividend History

Metric based on RAS data	Unit	Dividends declared:				
		2012	2013	2014	2015	2016
Dividends accrued	RUB thou.	862.935	75.992	831.693	455.954	1,866,675
Share of RAS net profit allocated to dividends	%	25.00	25.94	25.01	50.16	100.00
Dividend per share	RUB	0.02044	0.0018	0.0197	0.0108	0.044215195
Dividends paid out	RUB thou.	855,147	75,255	824,034	448,707	1,841,686
Share of dividends paid out ¹	%	99.10	99.03	99.08	98.41	98.66
Date of resolution on dividend payout	–	June 14, 2013	June 26, 2014	June 25, 2015	June 8, 2016	June 8, 2017

Dividend Payout Plans for 2017

The resolution on dividend payout for 2017 will be adopted by the Annual General Meeting of Shareholders of IDGC of Centre in 2018. The dividend amount will be determined in accordance with the Methodology given in the new version of the Regulations on the Dividend Policy. The Company sees it as a priority to pay out dividends in the amount of at least 50% of the net profit determined based on the financial statements, including consolidated statements prepared in accordance with International Financial Reporting Standards (IFRSs), with regard to the needs for investments financing and correction of financial performance related to grid

4 RUB BN

PAID OUT AS DIVIDENDS OVER THE PAST 5 YEARS

100 %

OF RAS NET PROFIT ALLOCATED TO DIVIDENDS IN 2017

1. As at December 31, 2017 No dividends were paid to shareholders who provided no payment details or incorrect details in accordance with clause 5 of Article 44 of Federal Law No. 208-FZ On Joint-Stock Companies dated December 26, 1995. Dividends accrued on shares held by unidentified persons are paid if and when shareholder rights to the securities are identified.

connection.

Dividend Policy Principles

- ◆ ensuring compliance of the adopted system for dividend accrual and payment with the Russian laws and standards of corporate governance (Decree of the Government of the Russian Federation No. 1094-p dated May 29, 2017);
- ◆ providing optimal balance between the interests of shareholders and the Company’s needs;
- ◆ paying out dividends in the amount of at least 50% of the net profit determined based on the financial statements, including consolidated statements prepared in accordance with International Financial Reporting Standards (IFRSs) and calculated in compliance with the Dividend Policy;
- ◆ providing quarterly dividend payouts in compliance with the relevant criteria;
- ◆ maximise the transparency (clarity) of procedures used to determine the amount of dividends and pay them out;
- ◆ providing for an upward trend in dividend payouts, subject to growth of the Company’s net profit;
- ◆ ensuring availability of information on the Company’s Dividend Policy for shareholders and other stakeholders;
- ◆ maintaining the required level of financial and technical condition of the Company

(investment program), ensuring the Company’s development.

Dividend Payout Criteria

Criteria	Compliance					Notes
	2012	2013	2014	2015	2016	
As at April 21, 2016 (invalid)						
Basic						
Net profit for the reporting period	+	+	+	+	+	Net of gains and losses from the revaluation of financial investments, foreign exchange gains, and other random (one-off) non-cash components of net profit
Debt/EBITDA < 3	+	+	+	+	+	Calculated based on the current regulations on the credit policy In case of failure to meet this criterion, repayment of borrowings shall have priority over dividend payouts
Additional						
No material failures	+	+	+	+	+	
Meeting the reliability KPI rate	+	+	+	+	+	
Consistency of dividend payouts with the business plan target approved by the Company's Board of Directors	+	+	+	+	+	The dividend amount shall not exceed the target set out in the Company's Business Plan approved by the Board of Directors for the current year
As at February 2, 2018 (valid)						
net profit determined based on the accounting (financial) statements prepared in compliance with Russian Accounting Standards (RAS) for the reporting period						Net of gains and losses from the revaluation of publicly traded shares of the subsidiaries and related income tax, and mandatory contributions to reserve and other funds, as established the Company's Articles of Association
net profit determined based on RAS accounting (financial) statements for the reporting period, net of gains and losses from the revaluation of publicly traded shares of the subsidiaries						

Dividend Calculation Formula¹

DIV=MAX (DIV¹; DIV²) –DIV^{INT},

where:

DIV is the amount of net profit allocated to dividends on ordinary shares;

DIV^{int} is the amount of interim dividends paid out for the first quarter, six and nine months of the reporting year;

DIV¹ is the amount of dividends calculated based on the Company’s net profit according to RAS accounting (financial) statements;

DIV² is the amount of dividends calculated based on the Company’s net profit according to consolidated statements prepared in compliance with International Financial Reporting Standards (IFRSs).

The amount of dividends (DIV₂) shall not exceed the net profit determined based on RAS accounting (financial) statements for the reporting year, net of gains and losses from the revaluation of publicly traded shares of the subsidiaries and related income tax, and mandatory contributions to reserve and other funds, as established the Company’s Articles of Association.



The Dividend Policy, Dividend History, as well as the Regulations on the Dividend Policy (new and previously applicable versions), are available on the official website of IDGC of Centre

1. In compliance with the new version of the Regulations on the Dividend Policy

SHAREHOLDER AND INVESTOR RELATIONS

IDGC of Centre traditionally focuses on developing the shareholder and investor relations based on the principles of openness and trust. Over the past year, significant progress was made in the improvement of disclosure process and maintaining the ongoing dialogue with investors. All efforts were taken to enhance the Company's investment appeal and to gain the stakeholders' trust in the Company. The key focus in the interaction with shareholders and investors was conducting regular meetings related to financial statements publication. Thus, in March 2017, the Company's Management held a meeting with bank and investment analysts to discuss IFRS statements for 2016 and outlook for 2017. In September and November, the Company held webcasts to present the key results and a conference call to discuss the Company's performance for the six and nine months of 2017.

During 2017, the Company was engaged in extensive communications with investors, including eight meetings with top managers such as the in-person Analyst Day in the Company's Office and two remote webcasts. A total of 148 contacts with investors were arranged during the year with involvement of IR Manager.

IDGC of Centre sees the interaction with its shareholders and investors as an integral part of its day-to-day operations, being fully aware of its corporate responsibility and commitment to the principle of information transparency. The Company will continue to promote effective interaction with its shareholders to comply with high standards of corporate governance.

THE KEY EVENT THAT ENHANCED THE COMPANY'S INVESTMENT APPEAL IN 2017 WAS DIVIDEND PAYOUT FOR 2016 IN THE AMOUNT OF RUB 1,841.7 MN.



The calendar of IR events for 2017 and 2018 is available on the official website of IDGC of Centre



Information on investor and shareholder relations of IDGC of Centre is available on the official website of IDGC of Centre

The annual perception study conducted among investors revealed a high disclosure level in the Company and efficient interaction with shareholders and investors. The score given to IDGC of Centre's IR Service for its performance in the perception study in terms of professional skills, availability, honesty, response time was 93.9% in 2017 (94.9% year-on-year), it remained significantly higher than the target of 75%. The majority of respondents cited the quality of disclosures, high dividend yield, efficient cooperation with investors, and efforts aimed at recovering overdue receivables as the key strengths of the Company. The respondents also noted the quality management system and advanced management methods. The vast majority of respondents showed positive attitudes towards the Company's management accessibility for communication with investors and increase of IR involvement in 2017.

Development of tools for interaction with shareholders and investors

In 2017, the design and content of section «For Shareholders and Investors» was updated, an informer on the current share value with a mini chart was added to the home page of the Company's website. Changes on the website helped to optimise the main section «For Shareholders and Investors» that is most often visited by investors and Company's shareholders. All subsections and most requested information can be found on one page. Thanks to the work done, the average viewing time of the section pages increased by 25%. During the year, the Company was upholding the legitimate rights and interests of shareholders for information disclosure. A total of 5 responses to shareholders' requests were prepared within the timeframe stipulated by the Russian laws. In addition, 12 requests for information from analysts and investors were handled. Full and complete responses were provided to all requests. 34 messages were posted on the website (press releases, news, reviews) for the investment community.

93.9 %
(against target 75%)
POSITIVE IMAGE INDEX
EVALUATING THE PERFORMANCE
QUALITY OF IDGC OF CENTRE'S
IR DEPARTMENT IN 2017

Analytical coverage of the Company

The reviews from analysts were regularly monitored by IDGC of Centre. Over 2017, the analyst consensus forecast reduced 10% from RUB 0.300 to RUB 0.270 per share, with no upside left in the shares at their closing price of RUB 0.356 on December 29, 2017. The price of IDGC of Centre's shares exceeded analysts' expectations during the year.

Information Policy

Information disclosure is a priority tool in communications between IDGC of Centre and its shareholders, investors, consumers, regulators, and other stakeholder groups. An established, well-functioning disclosure process boosts the Company's competitive position on the capital markets, creating a favourable environment for business growth.

IDGC of Centre's listing on the Moscow Exchange imposes additional disclosure obligations in accordance with MOEX listing rules and instructions of the Bank of Russia.

Disclosures by IDGC of Centre follow the principles of completeness, accuracy, accessibility and timeliness as set out in the Bank of Russia Corporate Governance Code with respect to disclosures on the corporate website and annual report. In addition, IDGC of Centre has taken on a voluntary obligation to disclose a significant amount of extra information as approved in its Regulations on Information Policy (Minutes No. 21/13 of the Board of Directors dated September 2, 2013).

To ensure free access by stakeholders to disclosed information, disclosures are made via several information distribution channels. The main disclosure channel is an official website of IDGC of Centre at www.mrsk-1.ru. Information is disclosed in the Russian and English languages simultaneously. Information on the Company is available in the news feed and on the website of Interfax Corporate Information Disclosure Centre, international news agencies Bloomberg, Euroland, Thomson Reuters, other media and corporate press.

Expert community assessment

IDGC of Centre Annual Report 2016 was awarded as the Best Annual Report of the Company with the Market Capitalisation below RUB 40 bn at the XXth Annual Report Competition held by the Moscow Exchange and RBC media group. It was also declared the winner in the additional nomination for the Best Information Disclosure Level on the Corporate Website.

IDGC of Centre also won a gold medal award in the Utilities – Electric category among the companies with revenue below USD10 bn at the annual report competition hosted by the League of American Communications Professionals (LACP). The interactive version of the Report won a silver medal award.

The Company's annual report was also named a Top 10 annual report among Russian contestants.



The complete list of analysts is available on the official website of IDGC of Centre



Information on the analyst consensus forecast is available on the official website of IDGC of Centre

Questions frequently asked by investors

What increase of electricity tariffs is expected for 2018-2019 (for population also)? Is this growth rate considered while planning the Company's activities?

Answer: The growth of electricity tariffs takes place in line with the Forecast of Long-Term Social and Economic Development of the Russian Federation and is economically viable. According to the Forecast, grid tariffs for power transmission are expected to be indexed for all categories of consumers (except for supplies to the population). The indexation will be calculated by the formula «the forecasted inflation of the related year minus 1 percentage point» and will amount to 3% annually in 2017 – 2019. Indexation of power transmission tariffs for the population will exceed the growth of grid tariffs for other consumers by 2 percentage points and will amount to 5% annually in 2017 – 2019. This is driven by the need to reduce the cross-subsidisation amount at the Power Grid. Tariff indexation for individual grid organisations may be differentiated to ensure their break-even operation. On average, the established growth rate of tariffs for power transmission across the Russian Federation shall not be exceeded. Over the years, the Company itself has been developing and successfully implementing the Cost Management Programme allowing to conduct business activities within the established threshold tariffs.

In 2017, the Board of Directors recommended paying 100% of RAS net profit as dividends. How does the Management treat this decision and what is the probability of maintaining such high dividend payouts in future?

Answer: IDGC of Centre pays particular attention to upholding the rights and legitimate interests of the Company's shareholders. Over the past seven years, the Company pays out dividends annually. The Company complies with the Dividend Policy approved in February 2018 and sees it as a priority to pay out dividends in the amount of at least 50% of the net profit determined based on the financial statements, including IFRS consolidated statements, with regard to the needs for investments financing and correction of financial performance related to grid connection. It should be noted that the final dividend amount is determined by the Directive of the Russian Government, as IDGC of Centre is a subsidiary of PJSC ROSSETI, and 88.04% of its authorised capital belongs to the Russian Federation. In future, the Company will continue implementing the decisions of the Russian Government.

Are there plans of a merger of IDGC of Centre, PJSC and IDGC of Center and Volga Region, PJSC?

Answer: Currently, it is not planned to merge IDGC of Centre, PJSC and IDGC of Center and Volga Region, PJSC. So far it is decided to introduce centralised governance with IDGC of Centre acting as the Sole Executive Body of IDGC of Center and Volga Region.

THE COMPANY SEES IT AS A PRIORITY THAT AT LEAST 50 % OF NET PROFIT IS DISTRIBUTED TO SHAREHOLDERS AS DIVIDENDS.

CORPORATE RESPONSIBILITY



HR AND SOCIAL POLICY

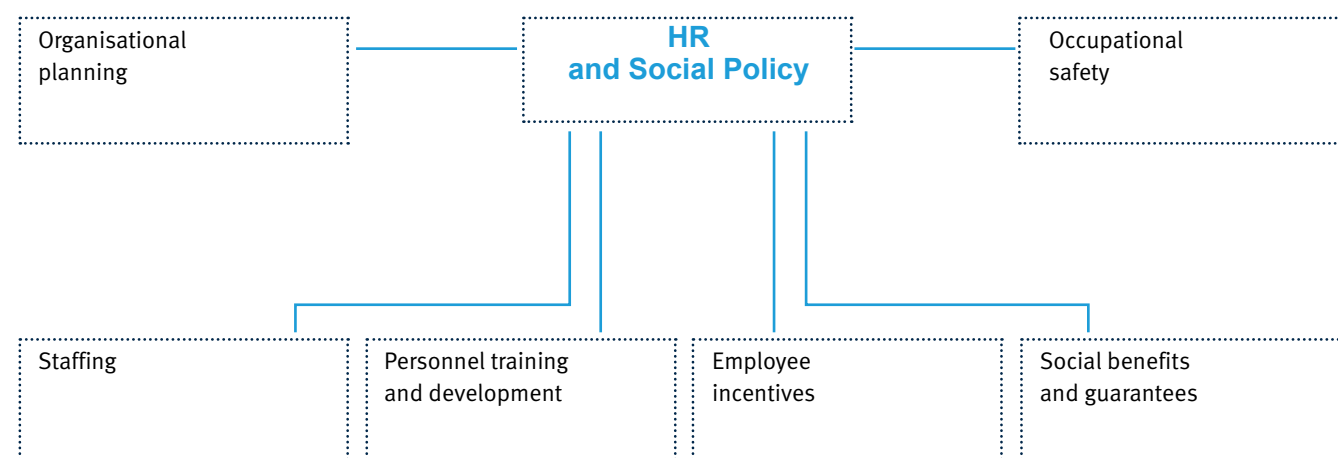
The HR and Social Policy of IDGC of Centre aims to achieve the targets set out in the Strategy for Development of the Electric Grid Complex of the Russian Federation.

Initiatives implemented by the Company are driven by the HR and Social Policy of IDGC of Centre approved by the Board of Directors in 2014.



The Policy is available
on the Company's website

Focus areas of the HR and Social Policy



Headcount and personnel turnover

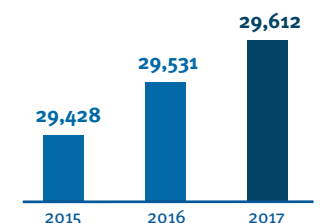
In 2017, the Company's average headcount was 29,612 employees, up 0.3% year-on-year.

This trend is driven, on the one hand, by our efforts to rightsize our administrative and management staff, and, on the other, by an increase in operating personnel at the Company's branches under agreements for lease of electrical grid in 2016-2017 (Rzhev city of the Tver region, Semiluksky Municipal District of the Voronezh region), and new hirings at the Company's branch Tverenergo resulting from the appointment as a guaranteeing supplier as of December 1, 2016, pursuant to the Order of the Ministry of Energy of the Russian Federation No.1214 dated November 17, 2016.

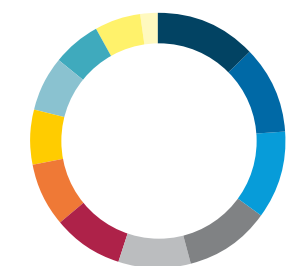
Our headcount remains rather stable. The bulk of the Company's personnel is represented by employees aged between 25 and 50 years (66%). In 2017, our staffing level was 96.8% (0.2 p.p. growth since 2016), and the average employee age was the same as in 2016 (41 years).

Employees of IDGC of Centre are highly skilled, with 87% of our staff having vocational education degrees. This figure is up 1 p.p. through the last three years.

Dynamics of the Company's average headcount from 2015 to 2017, persons



Average headcount by branch in 2017



29.6 THOU. PEOPLE
(+0.3%)
AVERAGE HEADCOUNT
OF IDGC OF CENTRE

Belgorodenergo	13
Smolenskenergo	11
Voronezhenergo	11
Tverenergo	11
Kurskenergo	9
Yarenergo	9

Lipetskenergo	8
Kostromaenergo	7
Tambovenergo	7
Bryanskenergo	6
Orelenergo	6
Executive office	2

Personnel training and development

Training is one of the priorities in the Company's HR Policy specified in the HR and Social Policy of IDGC of Centre, the Personnel Management Rules for the Russian Power Sector, and our corporate standard, Personnel Management at PJSC IDGC of Centre.

In 2017, 14,802 employees were trained off the job (50% of the average headcount), that is up 10.2 p.p. (3,040 employees) year-on-year.

The number of operating personnel increased by 2.7 p.p. and reached 91.8% (13,594 employees).

The corporate training centres are the main educational institutions supporting the Company's employees training. In 2017, 3,295 employees (22.3% of the total number of trainees) were trained, retrained or upskilled by corporate training centres, i.e. a 6.8 p.p. decrease year-on-year.

The bulk of the employees trained by the corporate training centres is also made up of operating personnel (98.1%, or 3,234 employees).

In addition to the corporate training centres, our key providers of training services include:

- ◆ Federal State Budget Institution "Learning and Training Centre" of Rostechndzor, Moscow;
- ◆ National Research University "Moscow Power Engineering Institute" (Smolensk Branch);
- ◆ Petersburg Power Engineering Institute of Professional Development;
- ◆ State Educational Institution of Higher Professional Education "Ivanovo State Power University" named after V.I. Lenin.

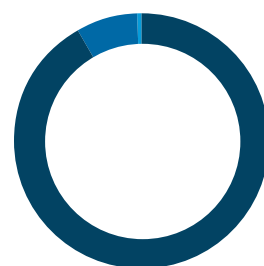
The Company has concluded 97 agreements on mutual collaboration with higher and secondary education institutions.

198 managers and white collars of the Company upskilled in different trades (1,348 employees). In 2017, we continued state-funded target training for 220 students of the higher and secondary education institutions for popular trades in the power grid area to consider future demands. Students having good progress received study allowance from the Company's funds.

The costs of the personnel competencies development totalled RUB 88,210,710 (+ 8 % year-on-year), RUB 17,601,300 (20%) of them were spent for personnel training in the corporate centres. Low share of costs for corporate training is caused by differentiation of prices between the Company's employees training and training of the employees of other organisations. For the Company's employees reduced prices are applied. Besides, the prices of the corporate training centres are significantly lower than the prices of regional training institutions.

In the reporting year, the ratio of actual personnel training costs to payroll fund was 0.61% (against 0.57% in 2016).

Personnel trained off the job, %



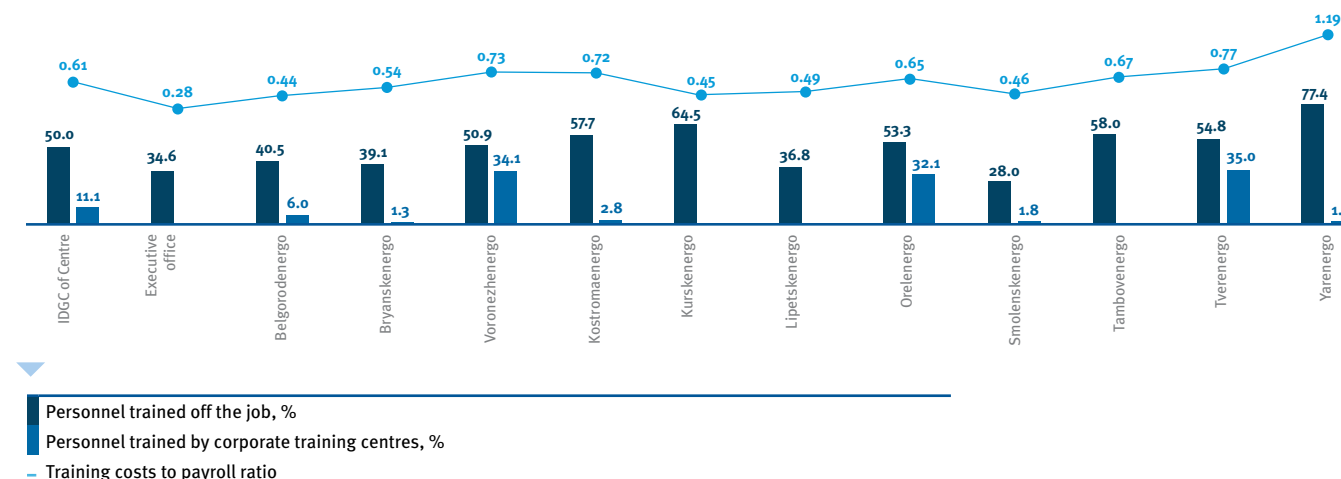
Operating personnel	91.8
Administrative and management staff	7.9
Auxiliary personnel	0.3

50 %
(+10.2 p.p.)
OF EMPLOYEES TOOK PART
IN OFF-JOB TRAINING

88,210.7

THOU. RUB
(+8%)
PERSONNEL
COMPETENCES
DEVELOPMENT COSTS
IN 2017

Employees trained off the job and training costs to payroll ratio in 2017:



Talent pool

Every year, the Company is building a management talent pool and a young talent pool. Where needed, these talent pools are used to fill positions of General Director's deputies, including branch directors and deputy branch directors, and heads of units within the executive office.

In 2017, the management talent pool of IDGC of Centre included 4,389 employees (+ 11 % year-on-year).

The young talent pool comprises 1,015 employees with high professional and leadership potentials. Out of them, 65 employees make up the active young talent pool, which aims to involve young employees in addressing the most important challenges faced by the industry and develop their professional skills, while selecting the best talent among them to advance their career.

Every year the Company holds Young Talent Congress for the young talent pool to create conditions for management skills improvement and to extend the circle of contacts. In 2017, 90 members of the succession pool took part in the Services Sales Talent Pool School events. 25 of them were awarded with the diplomas for their activity and leadership.

Out of 967 promotions to the leadership positions made in 2017, 840 managers (87 %) were selected from the internal pool, 373 of them (39 %) - from the management and young talent pool.

Through our consistent talent pool management, we were able to achieve a 80.5% coverage of all staff leadership roles by our management talent pool.

4,389 EMPLOYEES
(+11%)
INCLUDED INTO THE
MANAGEMENT TALENT POOL
OF IDGC OF CENTRE IN 2017

840 POSITIONS
(87%)
FILLED WITH CANDIDATES
FROM THE INTERNAL POOL
IN 2017

Development of incentives system

Financial incentives offered by the Company include fixed components (base salary) and additional payments set out in the corporate documents and in the Company’s Collective Agreement.

Financial incentives

IDGC of Centre has in place a Unified Remuneration and Reward Policy, which seeks to engage and retain best talent.

The existing remuneration scheme implies the following:

- ◆ fixed salaries and pay rates to qualifications, business skills, experience, and worth to the Company. The pay rates are determined basing on minimum monthly wages of a skill category 1 worker;
- ◆ ongoing performance bonuses;
- ◆ supplementary payments and premiums for job scope and working conditions;
- ◆ ad hoc bonuses;
- ◆ seniority payments;
- ◆ leave allowances.

The Company has in place a uniform Pay Scale for blue collar jobs and a grading system for managers and white collar employees. The hierarchy of positions is made basing on evaluation of all posts (managers, white collars, employees) according to a system of factor groups considering the value of labour for each typical job position.

The financial incentives of the employees are linked to a grading system. Our framework of key performance indicators (KPIs) enables performance assessment of every business unit across our branches and encourages their employees to achieve specific performance targets set as KPIs. Every business unit within a given branch has its own individual KPIs reflecting its involvement in business processes and business services.

Our standard organisational structure allows to specify the KPIs common for all the branches with individual target values. Monthly reporting on the results of KPIs achievement contributes to a transparent and effective tool for the management to evaluate the employees activities and take required management decisions.

Non-financial incentives

The Company efficiently uses different kinds of non-financial incentives:

- ◆ employee service awards and recognition programs;
- ◆ creating and maintaining a favourable psychological climate;
- ◆ senior management communication with employees;
- ◆ arrangements for training, upskilling, career progress and personal development,
- ◆ skills contests for the employees, etc.

The awards and recognition programme is one of non-financial incentives. It is aimed to recognise the employees’ high performances and works, which are of higher importance for the Company.

In 2017, nine employees of the Company received national awards of the Russian Federation; 145 employees received departmental awards from the Russian Ministry of Energy; 3 employees received awards of the Ministry of the Russian Federation for Civil Defence, Emergencies and Elimination of Consequences of Natural Disasters; 263 employees were given corporate awards of Rosseti, PJSC; 101 employees of the Company were awarded by the All-Russian Industry Association of Employers of the Power Sector; while IDGC of Centre recognised 820 employees with corporate awards.

Social Benefits and Guarantees

IDGC of Centre pursues its social policy by building a social partnership framework in line with the Company’s Collective Agreement. The interests of its employees are represented by the company-wide Corporate Trade Union.

The Collective Agreement of IDGC of Centre governs social and employment relations, while setting out the rights and obligations of social partners, pay rates and other work conditions, and providing for social guarantees and benefits for employees.

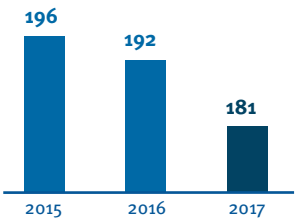
The Collective Agreement provides for supplementary payments to the Company’s employees in certain cases (birth or adoption of children, marriage, parental leaves, annual leaves, etc.). Some benefits and compensations are provided together with the Trade Union.

Social benefit items

- ◆ One-off maternity (adoption) allowance
- ◆ One-off first marriage allowance
- ◆ Allowance paid to employees with disabled children under 18
- ◆ Allowance paid to employees with three and more children under 18
- ◆ Allowance paid to employees with income per family member below the minimum wage applicable in Russia
- ◆ Ad hoc allowance
- ◆ First-grader allowance
- ◆ Compensation for pre-school costs
- ◆ Compensation for recreation and treatment costs of employees and their children
- ◆ One-off allowance to reemployed after compulsory military service
- ◆ New Year gifts to employees' children under 14
- ◆ Severance pay
- ◆ One-off retirement allowance (payable to those who have retired within three months after they reach their retirement age)
- ◆ Allowance payable in case of natural calamities, fire, or theft
- ◆ Allowance for housing improvements (reimbursement for bank loan interest or housing rent)
- ◆ Prize money for awards
- ◆ One-off healthcare and social allowance
- ◆ Monthly parental leave pay
- ◆ One-off bereavement allowance (payable if the employee's close relatives (spouse and/or children and/or parents) die)
- ◆ One-off survivor allowance payable to families of employees who died from a common disease or a non-occupational accident
- ◆ One-off workplace death allowance
- ◆ Monthly electricity bill compensation payable to blue collar employees

All employees of the Company are insured against accidents and diseases. We have in place Voluntary Medical Insurance (VMI) programmes offering a wide range of free healthcare services, including various types of medical examination, polyclinic, in-patient, and rehabilitation treatment services.

VMI costs in 2015-2017, RUB mn



In 2017, we provided flu vaccination and tick-borne encephalitis vaccination for our employees. More than 2,000 employees and employees' children benefited from rehabilitation treatment at Energetik, the Company's corporate resort in Tambov, as well as at Crimean resorts, and resorts in Caucasian Mineral Waters and in other locations across the regions in which the Company operates.

Housing policy

We help our employees improve their housing conditions. E.g. in 2017, 188 young employees and highly skilled professionals were reimbursed for their rent, and mortgage loan interest costs were covered for 280 employees.

Aid to retirees

IDGC of Centre runs the Private Pension Programme designed to provide financial support for the Company's retirees and build a corporate pension plan. This Programme operates through the Non-State Pension Fund of the Electric Power Industry and offers corporate and parity pension plans.

Every branch of the Company has in place Veterans' Councils to liaise between retirees and the branch's management. The Veterans' Councils help to identify and provide support to the most vulnerable retirees, and contribute to joint events held to celebrate national holidays and anniversaries. Dialogues maintained between the Veterans' Councils and the Youth Councils work towards stronger bonds between generations and foster a corporate team spirit through shared goals and interests.

Sports policy

Our sports policy aims to improve the employees' health, develop the corporate culture and promote a favourable image of the Company. IDGC of Centre organises the annual Summer Sports Games and hockey tournaments for their employees. The branches' employees take part in city and regional sport events, tourist rallies, etc. The Company's best chess-players compete in the annual Botvinnik open chess tournament.

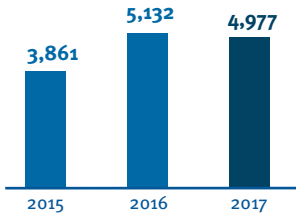
Social events and campaigns

A Youth Council is created at each of IDGC of Centre's branches for efficient interaction with young employees. The Company holds annual Corporate Young Talent Congresses.

In each region of the Company's presence we interact with the schools to set up long-term career advice channels to highlight the employment opportunities. We select the most skilled pupils to send them for target training.

To attract young talent, the Company traditionally holds open days on the eve of the Power Engineers' Day.

Non-working retirees paid from the Non-State Pension Fund of the Electric Power Industry, 2015-2017, persons



188

(+31%)
HIGHLY SKILLED PROFESSIONALS
REIMBURSED FOR THEIR RENT
IN 2017

280

(+14%)
EMPLOYEES GOT THEIR MORTGAGE
LOAN INTEREST COSTS COVERED

Dialogue between management and employees

Trade union movement

The corporate trade union of the Company brings together twelve trade unions (one within the executive office and eleven in branches). The trade union includes 22,000 persons, that is 72 % of the total headcount in the Company.

Through this positive social partnership, we can maintain up-to-date level of social guarantees, including voluntary medical insurance, accident and disease insurance, and benefits and allowances payable to employees’ families in distress.

Jointly with the employer, the trade union organises different events:

- ◆ events for memorable dates,
- ◆ amateur performance events,
- ◆ corporate events of the Club of the Funny and Inventive.

The employees have access to sports infrastructure (swimming pools, sport areas, etc.). The trade union supports different social projects, arranges and runs internal charitable campaigns. In particular, in 2017 our employees donated over RUB 1.5 mn to cover the colleagues’ treatment costs, and about RUB 600,000 to cover the costs for colleagues’ children treatment.

Complaints and proposals

Counterparties and other stakeholders may submit a complaint or a proposal to the Company.

Counterparties and other stakeholders may submit an enquiry by different channels of communication: i.e. via telephone hotlines, by email (doverie@mrsk-1.ru), using a feedback form on the corporate website (<http://www.mrsk-1.ru/>).

The telephone hotlines handle enquiries about power losses or disturbances, or thefts of power and equipment, on 24/7 basis.

The clients of 11 regions, in which the Company operates, can make a call to a hotline on a free number on issues of anti-corruption and anti-fraud legislation violation, including issues aimed to prevent the employees from facilitating the unauthorized connections of consumer terminals to the grid, violating the Corporate Ethics Code and the Code of Conduct of the Company’s Employees, illegal using of insider trading, etc.

To improve the quality of handling the employees’ enquiries on performance, increase level of the employees awareness of the Company activities, develop corporate culture and business ethics, the senior managers of the Company hold personal interviews with the employees, the schedule of interviews is available on the corporate website.

22 THOU. PEOPLE

(72%)
MEMBERS OF
THE COMPANY’S
PRIMARY TRADE
UNION IN 2017



The feedback form is available on the official website of IDGC of Centre

Considering the employees’ opinions

In line with the Collective Agreement, social partners are working together on drafting general principles to regulate social and employment relations to:

- ◆ increase and improve performance and productivity;
- ◆ ensure the compliance with employment rules and work discipline, occupational health and safety and workplace hygiene requirements;
- ◆ ensure social stability across the Company.

OCCUPATIONAL SAFETY

EMPLOYEES’ LIVES AND HEALTH ARE OUR TOP PRIORITIES WHICH ARE PUT BEFORE PERFORMANCE.¹

The Company’s goal in occupational health and safety is to reduce injury rates, including prevention of workplace fatalities.

Key injury risks

Place	Hazard level	
INCREASED VOLTAGE IN AN ELECTRICAL CIRCUIT that can be closed through the human body	All workplaces of electrical technicians and some workplaces of maintenance personnel	The key and most dangerous risk factor
MOVING MACHINERY AND MECHANISMS, moving parts of operating equipment, moving devices, blanks, materials, and collapsing structures	Almost all blue-collar workplaces, and en route to management or white-collar workplaces	One of the most dangerous factors
WORKPLACES LOCATED AT A SIGNIFICANT HEIGHT above the ground (floor)	Mainly at blue-collar workplaces (emergency crew electricians, distribution grid linesmen, switchgear maintenance operators, etc.)	One of the most dangerous workplace risk factors
INCREASED OR DECREASED WORKPLACE AIR TEMPERATURE	Almost at all workplaces of industrial and production staff	–
INCREASED OR DECREASED SURFACE TEMPERATURE of equipment or materials	Almost all blue-collar workplaces	–

¹ To prevent occupational injuries, the Company applies special standards:

- IDGC of Centre Injury Risk Reduction Programme for year 2017 (approved by the decision of the Board of Directors, Minutes No.01/17 dated February 1, 2017);
- IDGC of Centre Regulations on Internal Technical Control System (approved by the decision of the Board of Directors, Minutes No.24/12 dated October 11, 2012);
- IDGC of Centre Order No.242-CA dated August 5, 2016 “On Amendments to the Regulations on Corporate Labour Protection Management System”;
- IDGC of Centre Order No.388-CA dated November 28, 2016 “On Bringing HR Documents into Force”.

Health and safety measures

IDGC of Centre has in place an Injury Risk Reduction Programme to prevent injuries to its employees. The Programme provides for:

- ◆ improving internal technical controls;
- ◆ improving procedures for safe scheduled and emergency operation of electric facilities;
- ◆ training personnel on the job;
- ◆ motivating and encouraging personnel and improving HR services;
- ◆ fostering relations with the industry’s educational institutions;
- ◆ improving operational and technological management;
- ◆ ensuring safe transportation;
- ◆ organising workplace checks.

Activities scheduled under the Programme for 2017 have been fully implemented. In 2017, RUB 405.6 mn were spent to the Programme implementation (vs. RUB 332.7 mn in 2015 and RUB 424,3 mn in 2016). Reduction in costs is due to the procurement procedures.

In order to provide its employees with advanced protective equipment, the Company acquires portable ground rod kits to avoid climbing overhead line poles with voltages between 0.4 kV and 10 kV, which considerably reduces the risks of electric and falling injuries. Employees are also provided with special arc-rated clothing. All personnel that are authorised to work at electric facilities without supervision are issued special heat-resistant clothes.

We extensively use training sites, where our employees practice correct maintenance and repair of electrical installations. Totally IDGC of Centre has 278 district training sites and 15 common training sites, which provided 5,823 classes. Construction of another common training site is planned for 2018. Training is also provided in the corporate training centres (in Orel, Tver and Voronezh), in regional continuing education institutions, and in 238 technical classrooms. 14,802 employees were trained off the job in 2017. Operating personnel accounts for the bulk of trainees (91.8%, or 13,594 employees). Besides, 6,744 employees were trained on the job.

405.6 RUB MN
(-4.4%)
COSTS UNDER THE INJURY RISK
REDUCTION PROGRAMME SPENT
IN 2017

The Company organises medical examination for its personnel. The examination interval depends on the kind of works, working-environment factors, an employee’s age and other conditions.

The Company keeps record of employees engaged in harmful, hazardous and other challenging working conditions. The records are maintained based on data from workplace certification activities, and, since 2014, also based on a special workplace assessment. In line with Russian labour laws and the Collective Agreement, these categories of employees are paid additional compensation.

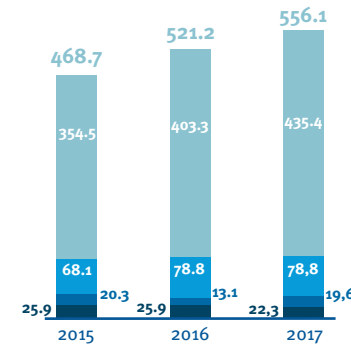
In 2017, no employees with occupational diseases first diagnosed during their employment with the Company were identified.

All personnel employed to work in harmful or hazardous conditions are trained on safe work methods and techniques. The employees undergo regular occupational safety trainings, while employees of certain categories also undergo occupational safety knowledge checks.

In 2017, occupational health and safety costs rose 6.7% year-on-year to RUB 556 mn, with the growth coming mainly from personal protective equipment. The prices for some positions of protective equipment have increased, and the number of protective means has changed, since some kinds of overalls are supposed to be used for two or three years, etc.

Costs for occupational disease prevention are the same as in 2016. Costs for overall workplace improvements increased by RUB 6.5 mn.

Costs dynamics, RUB mn



- Personal protective equipment
- Overall workplace improvements
- Overall workplace improvements
- Accident prevention

556 RUB MN
(+6.7%)
OCCUPATIONAL HEALTH
AND SAFETY COSTS
IN 2017

ENERGY FOR ECONOMIC GROWTH OF THE REGIONS

Belgorod Region

Development of Modern Agricultural Enterprises

About a hundred of large and medium-sized enterprises in the Belgorod region were connected to the grids of IDGC of Centre in 2017.

These include a number of agribusinesses being built under the import substitution programmes: two sites of Graivoron Pig Complex near the rural settlements of Novostroevo and Gruzchansky, a cattle farm in Zozuli village of the Borisovsky district, Yermak greenhouse complex for growing flowers, vegetables and berries in Chernyanka, a number of sites of APK PROMARGO in Stary Oskol, etc. Electricity was also provided to the Volokonovsky Creamery, Tsvetuschy Sad complex for growing apple trees with a drip irrigation system, and Klyuchanskoye meat processing shop in the Krasnogvardeysky district.

A total of about 9,500 grid connection contracts were implemented in 2017 by the Belgorod branch of the company. The total connected capacity (including the consumers up to 15 kW) is 154 MW.

Resettlement from Dilapidated Housing

Specialists of the Belgorod branch of IDGC of Centre provided power supply to three apartment houses built in the towns of Alekseevka and Stary Oskol in the Belgorod region with the total connected capacity of 244 kW within the framework of regional targeted programmes for resettlement from dilapidated housing and new housing construction for orphans and children without parental care.

Kostroma Region

New Schools for Developing Territories

In 2017 the power engineers from the Kostroma branch of IDGC of Centre completed the grid connection of the schools under construction in the settlements of Bogovarovo in the Oktyabrsky District and Ponazyrevo in the Ponazyrevsky District for 650 and 120 available places respectively. Thus, the Company actively promotes the implementation of the Russian Government federal programme for establishing a single-shift schedule in all schools nationwide until 2025.

Providing Additional Capacity for Road Paving Industry

The Kostroma Asphalt-Concrete Plant was connected to the power grids of IDGC of Centre. This enterprise produces strategic goods, which are critical for establishing a modern logistic infrastructure, and high in demand both in Kostroma and the surrounding districts (Kostromskoy, Sudislavsky and Susaninsky). The plant capacity is 630 kW.

Lipetsk Region

The Largest Producer of Frozen Berries in Russia

Specialists of the Lipetsk branch of IDGC of Centre connected the first stage of the plant for shock freezing of berries of Fragaria, LLC in the Usmansky district of the Lipetsk region to the power grid.

The plant with planned capacity of 8,000 tons of berries and fruit per year will become one of the largest in Russia. Its total area is 11,000 m², the production facilities will be placed directly on the fields where berries are grown, thus allowing to freeze them within an hour after harvesting.

Four freezing chambers are currently connected to the grid. The second stage of the enterprise, which will include a processing plant for berries and fruit, four production lines and three freezers, is scheduled to be launched in two years. This will allow to provide jobs for more than 120 residents of the Usmansky district.

Providing Additional Capacity for Lipetsk

The Lipetsk branch of IDGC of Centre completed the reconstruction of the Privokzalnaya substation that provides power supply to the central and north-western part of the city of Lipetsk, including the Central City Clinical Hospital, the Zvezdny Sports Palace and the railway station. This upgrade allowed to increase the capacity of the Privokzalnaya substation from 65 to 80 MVA.

Smolensk Region

Development of Social Facilities

In 2017 the Smolensk branch of IDGC of Centre connected over 50 social facilities with the total capacity of 1.3 MW to the grids. A significant event for the region's residents was the grid connection of the Children's Art Centre in the Novoduginsky district and a pavilion for cultural events in the Vyazemsky district. The Cultural Development Centre in the Dukhovschinsky district became the largest among the social facilities connected to the branch grids in 2017. The Cultural Development Centre will house sports, 3D cinema, dance exhibition and choreographic halls, a multimedia library, rooms for choral and instrumental music classes, a cafe and a 120-seat conference hall for meetings.

Tambov Region

Sturgeon Breeding Farm

The project for the establishment of a farm for breeding sturgeons in closed waters in the village of Goreloye in the Tambovsky district is being implemented by Tambov Sturgeon, LLC. At the moment, the first stage of the farm has been commissioned: several pool-incubators, in which about 80,000 sturgeon fry are placed. It is planned that a full production cycle will be set up here: from cultivating caviar to producing 50 tons of commercial fish per year.

To ensure the delivery of power to the new enterprise, specialists of the Tambov branch of IDGC of Centre constructed a 1.72 km power line that connected the facility with the 35/10 kV Gorelskaya substation.

Housing for Large Families

Since 2014, more than 700 land plots have been allocated in Tambov in the Maisky micro-district occupying the territory of 364 hectares within the framework of the Programme of State Support for Large Families. More than two and a half thousand people will live in the micro-district. It is also planned to build a kindergarten, a medical centre and other social facilities.

In 2017 more than 300 applications for grid connection of individual residential buildings of this micro-district were submitted to the Tambov branch of IDGC of Centre. As part of the power supply for the new micro-district facilities, 23 pole-mounted transformer substations with a total capacity of 2.3 MVA were installed by the power engineers, and 45 km of 10/0.4 kV overhead lines were constructed.

Yaroslavl Region

Space Device Engineering

The workshop for assembling modules for communications satellites of Yaroslavl Radio Factory, OJSC (part of RTI Defense Concern) is a unique facility in Russia. This is serial production for space device engineering. Commissioning of a new building will contribute to the creation of at least 50 new jobs. The workshop construction began only in 2015, but today it is one of the major investment projects in the region.

In October 2017 the specialists of the Yaroslavl branch of IDGC of Centre completed another stage of grid connection of the sites of assembly workshop of payload modules for domestic communications satellites. The total connected load is 2.2 MW.

Bryansk Region

Perinatal Centre

A new perinatal centre of Bryansk City Hospital No. 1 was inaugurated by Russian President Vladimir Putin on March 7, 2017.

A new medical facility was connected to the power grid by the Bryansk branch of IDGC of Centre. For this purpose, they reconstructed the 110 kV Gorodishchenskaya substation. The power engineers, at the request of the Government of the Bryansk region, successfully conducted all relevant technical measures in a shortened time period.

Rural School for 500 Students

Specialists of the Bryansk branch of IDGC of Centre completed the grid connection of a new educational building of the Snezhskaya Gymnasium for 500 students in the village of Putevka of Bryansk district in the summer of 2017.

The agreement concluded by the Bryansk branch and the district administration provided for completion of all works until January 2018. However, the company completed it ahead of schedule. To provide power to a new gymnasium building, the power engineers constructed 6 kV and 0.4 kV overhead power lines and a 6/0.4 kV two-transformer substation.

Rabbit Breeding Complex

SVK AGRO is building in the Karachaevsky District of the Bryansk region an industrial rabbit breeding complex that promises to become the largest in Russia. The first stage capacity will reach 4,000 does (female rabbits) with the potential increase up to 10,000 rabbits and simultaneous keeping of 100,000 highly productive rabbits. Hy-Cole line rabbits from France will be used as breeding stock. At least 200 new jobs will be created at the enterprise.

In May 2017 the specialists of IDGC of Centre connected the complex to the grid. The works were conducted in two stages. The first stage involved the grid connection of consumer terminals with the capacity of 120 kW. During the second stage the capacity was increased by 550 kW.

Tver Region

Pig Breeding Development

Specialists of the Tver branch of IDGC of Centre provided additional capacity to the facilities of one of the largest agribusiness companies in the region — Coral, LLC that is part of the Top-20 largest pig farms of Russia. Under the grid connection contract the power engineers completed the upgrade and reconstruction of the 110/10 kV Shishkovo-Dubrovo substation by doubling the capacity of its current transformers.

Charging Stations for Electric Vehicles

The Tver branch of IDGC of Centre constructed a charging station for electric vehicles (the first in the Upper Volga Region) in the Torzhok district near the M10 highway (Russia) connecting Moscow and Saint Petersburg.

The charging station is designed as a 10 kV modular package transformer substation with a built-in charging unit for electric vehicles.

Orel Region

Reliable Electricity Supply to the Orlovsky District

Specialists of the Orel branch of IDGC of Centre completed the reconstruction of the 110/10 kV Volodarskaya substation, which supplies electricity to the settlements and agribusiness enterprises in the Orlovsky district, and 10 kV indoor switchgear of the 220/110/10 kV Mtsensk substation, the main consumers of which are the Orel-Kursk branch of the Moscow Railway and a number of metalworking plants.

Grain Storage

Nash Soyuz, LLC in the settlement of Verkhovye is building a silo-type grain storage with the capacity of 50,000 tons. The services provided by the elevator to the agricultural producers of the Orel region will include grain receiving, conditioning, drying and storage, as well as grain transshipment to road and rail transport. Besides, commissioning of a large enterprise in the Verkhovsky district would contribute significantly to addressing a lack of agricultural storages that is highly relevant for this agrarian region.

In late November 2017 the Orel branch completed the grain storage connection to the grid, the total connected capacity reached 1.5 MW.

Kursk Region

Mushroom Farm

A complex for growing champignons Gribnaya Raduga, LLC was connected to the grids of IDGC of Centre by the specialists of the Kursk branch in July 2017. The company will produce 4,000-12,000 tons of mushroom products per year, supplying them to the Kursk region and other areas of the Black Earth Region. Under the grid connection contract of Gribnaya Raduga facilities, the Kursk branch's specialists constructed over 15 km of 10 kV power lines.

Rural School for 650 Students

By September 1, 2017 the Kursk branch's specialists connected a three-storey school for 650 students to the grid in the settlement of Medvenka in the Medvensky district. This will allow to establish a single-shift schedule for local school children.

The power engineers constructed a 10 kV power line section with a length of 0.65 km, a substation with two transformers rated at 400 kVA each, and four cable lines.

In 2018 the power engineers are planning to complete the grid connection of reconstructed Soviet General Educational School No. 1 for 374 students.

Gasification of Three Districts

One of the significant facilities connected to the grids of IDGC of Centre in the Kursk region is the Nikolsky gas distribution station in the Bolshesoldatsky district. Its commissioning allowed to supply gas to over 300 households in the Bolshesoldatsky, Kurchatovsky and Lgovsky districts, and gasify a sugar factory in the settlement of Lyubimovka (previously the only one oil-fired facility in the country).

Under the grid connection contract the Kursk branch's specialists constructed a 10 kV overhead line with a length of 1.6 km. All works were conducted within the shortest time period. Governor Alexander Mikhailov, who attended the opening of the gas distribution station, expressed gratitude to the company's specialists on behalf of the residents of those districts.

Voronezh Region

Cellular Base Stations

Specialists of the Voronezh branch of IDGC of Centre connected the cellular base stations to the power grids; these stations are being built in the Voronezh region by the telecommunication companies to expand the wireless communication network in the region.

The operations were carried out within the framework of the regional government programme named «Information Society» aimed at infrastructure development to provide access to socially significant information for the population. New stations will expand the wireless network in areas with low population density or difficult terrain.

In total, the power engineers managed to connect 20 new base stations to the grids in five districts. For that purpose, they designed and constructed new power lines and extended the existing 0.4 kV lines.

ENVIRONMENTAL POLICY

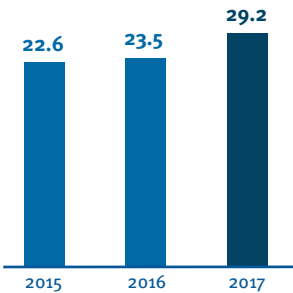
IN 2017, ENVIRONMENTAL PROTECTION MEASURES TAKEN BY THE COMPANY WERE PROVIDED FOR IN THE ENVIRONMENTAL POLICY IMPLEMENTATION PROGRAMME FOR 2017-2018.¹ BESIDES, IN THE REPORTING YEAR WE HAVE JOINED THE ENVIRONMENTAL POLICY OF THE GRID SECTOR², WHICH IS AIMED TO GRADUALLY RESTRICT THE IMPACT OF THE FUEL AND ENERGY INDUSTRY ON THE ENVIRONMENT.

As a result of exact execution of set targets in relation to grid equipment upgrading and introduction of electronic monitoring systems, the Company have managed to achieve significant outcomes in all spheres of environmental policy. Thus, pollutant emissions reduced by 4 % year-on-year, water withdrawal reduced by 4 %, industrial and consumer waste reduced by 15 %. Over 4,700 bird diverters were purchased (+ 33 % vs. 2016).

In 2017, a number of technical measures were implemented to reduce negative impacts on the environment, i.e. overhead power lines were fitted with insulated conductors (2,200 km of lines), 387 old vehicles were replaced with vehicles compliant with European emission standards (+ 261 % vs. 2016).

Expenditures increase is caused by implementation of environmental policy requirements for the power grid sector in relation to decommissioning of 100% equipment containing polychlorinated biphenyls (“PCBs”).

Environmental protection expenditures³, RUB mn



29.2 RUB MN
(+24%)
ALLOCATED FOR ENVIRONMENTAL PROTECTION IN 2017

Environmental policy areas

Environmental policy areas	Measures	Expenditures			
		2017	2016	2017	2016
Air Protection ⁴	<ul style="list-style-type: none">• emission limit monitoring;• monitoring of Cyclone gas cleaning units efficiency;• monitoring of air in substation buffer zones;• development of draft standards for maximum permitted emissions for the production sites (37 draft standards were developed in 2017 vs. 5 draft standards in 2016);• land improvement and greening.	Gross pollutant emissions into the air:		RUB 7.1 mn	RUB 4.4 mn
		157.8 tonnes	163.8 tonnes		
Water Protection and Sustainable Use	<ul style="list-style-type: none">• The Tverenergo branch re-obtained a groundwater abstraction licence.• To comply with the licence terms, the branch:• monitored groundwater levels,• took records of water withdrawal and maintained a sanitary buffer zone,• performed instrumental monitoring of water taken from underground sources.• And in addition:• monitored pollutant limits in waste water;• disposed waste water to centralised systems.	Water withdrawal and production:		RUB 8.7 mn	RUB 7.0 mn
		217,600 cu m			

¹ Approved by the decision of the Company's Board of Directors dated January 30, 2017 (Minutes No.01/17 dated February 1, 2017).

² Minutes of Decision of the Board of Directors No.21/17 dated September 1, 2017.

³ The expenditures do not include costs for training (upskilling) of management and employees responsible for environmental protection and safety issues, land improvement and greening projects, purchase and installation of bird diverters, payments for negative environmental impact.

⁴ For more details on emissions and water withdrawal in 2016-2017 see Appendix 3.8 to the Annual Report.

Environmental policy areas	Measures	Expenditures			
		2017	2016	2017	2016
Waste Management	<ul style="list-style-type: none">• six Draft Waste Generation Standards and Waste Disposal Limits were developed;• the practice of separating different hazard class wastes on production sites (59 containers were purchased); setting up waste accumulation sites, marking the containers was continued; 143 demercurisation kits to equip the disposal sites for mercury-containing lamps and an oil neutraliser to clean up oilspills were purchased.– industrial and consumer waste was processed, disposed of and landfilled by contractors specialising in waste management;• decommissioning and deactivation of 1,417 containers with PCB-containing capacitors (246 pcs in 2016)	Industrial and consumer waste:		RUB 15.3 mn	RUB 12.5 mn
		19,000 tonnes	22,300 tonnes		
Technical measures under the Environmental Policy Implementation Programme	A number of technical measures were implemented to improve safety and reliability of power supply, reduce emergency incidence in operations and at the same time reduce negative impacts on the environment. Among them: <ul style="list-style-type: none">• overhead power lines (0.4 –10 kV) were fitted with insulated conductors;• oil circuit breakers were replaced with vacuum or GIS circuit-breakers, substations were fitted with insulated busbars;• oil-filled bushings were replaced with solid RIP-insulation bushings;• old vehicles were replaced with vehicles compliant with European emission standards.	Use of insulated conductors:		In line with the Investment and Repair Programmes	
		2,200 km	2,800 km		
		Replacement of old vehicles with vehicles compliant with European emission standards:			
		387 pcs	148 pcs		
Wildlife protection	Overhead lines were fitted with bird diverters to protect birds against electric shock.	Bird diverters installed:		3.7	0.9
		4,732 pcs	3,554 pcs		

Energy saving and energy efficiency

The energy management system was developed and implemented at the Company in 2015 in accordance with the national standard GOST R ISO 50001-2012. The system was certified in 2016 in accordance with the national standard GOST R ISO 50001-201 and international standard ISO 50001:2011. Measures on confirmation of the certificate for the current energy management system were implemented in 2017. In 2017, 10 employees of the Company underwent upskilling in the Association “ErgoProfAudit” on the subject “Internal audit of the Energy management system as per ISO 50001:2011”.

Priorities in improvement of energy efficiency

- ◆ electricity losses at transmission and distribution;
- ◆ consumption of energy resources for bushiness needs;
- ◆ use of energy-efficient LED-based lighting fixtures.

>4.7 THOU.

(+33%)
BIRD DIVERTERS INSTALLED
IN 2017

In 2017, the Board of Directors approved the IDGC of Centre Energy Efficiency Programme for 2017–2022¹ stipulating the following targets:

- ◆ reduce transmission and distribution losses (target 10.21% of the electricity supplied to the grid / actual 9.86%);
- ◆ reduce energy and natural resources consumption for business needs (target 53,380 tce / actual 51,300 tce by energy resources);
- ◆ reduce electricity consumption (target 128.5 mn kWh / actual 124.16 mn kWh);
- ◆ reduce thermal energy consumption (target 51,246 Gcal / actual 47,205 Gcal);
- ◆ reduce water consumption (target 246,550 m³ / actual 217,680 m³);
- ◆ reduce motor fuel consumption (target 30,370 tce / actual 29,600 tce);
- ◆ roll out energy-efficient LED-based lighting facilities (target 11.5% / actual 12.7%).

Target value of energy saving in 2017 equal to 11,611 tce or RUB 78.27 mn was exceeded by 16.7% (13,556 tce or RUB 102.76 mn). The targets were achieved and exceeded for each measure.

BY 16.7 %

THE ENERGY SAVING
TARGET VALUE EXCEEDED BY
THE COMPANY IN 2017

Energy consumption

Type of energy	In unit terms		In monetary terms (RUB mn)	
	2016	2017	2016	2017
Thermal energy	50,289 Gcal	47,205.89 Gcal	74.8	72.88
Electricity	129.3 mn kWh	124.16 mn kWh	283.3	307.87
Motor gasoline	16,171,590 l	17,156,280 l	470.6	496.00
Diesel fuel	9,250,330 l	9,520,880 l	262.5	300.25
Natural gas	1,184,900 cu m	1,305,900 cu m	6.6	7.2

The Company did not use any other types of energy (nuclear energy, electromagnetic energy, crude oil, fuel oil, coal, oil shale, peat, etc.).



Target vs actual results of the Programme for 2017 are presented in Appendix 3.2 to the Annual Report on the IDGC of Centre's website

THIRD-PARTY SAFETY

IDGC OF CENTRE RUNS A PROGRAMME TO REDUCE THE RISK OF INJURIES TO THIRD PARTIES AT THE COMPANY'S FACILITIES.¹

Measures provided in 2017

Safety of grid facilities:

- ◆ identifying and demolishing illegal structures in buffer zones;
- ◆ relocation of overhead lines and transformer substations away from school sites, playgrounds and residential areas (RUB 21.5 mn invested);
- ◆ replacement of 6-10 kV overhead conductors with self-supporting insulated conductors (RUB 137.6 mn invested);
- ◆ installation of signs and notices in addition to those required by regulatory standards in residential areas near community facilities, children's institutions, water bodies and in fishing areas, to inform people of electric shock hazard (22,642 signs installed);
- ◆ maintenance and repair of machinery and equipment in unsatisfactory or inoperable condition to bring them up to current standards (RUB 298.06 mn invested).

Public awareness and education initiatives:

- ◆ educating the public through the media on the risks of approaching grid facilities;
- ◆ publishing electric safety information on the reverse side of utility bills;

21.5 RUB MN

SPENT FOR RELOCATION
OF OVERHEAD LINES AND
TRANSFORMER SUBSTATIONS
AWAY FROM SCHOOL
SITES, PLAYGROUNDS AND
RESIDENTIAL AREAS

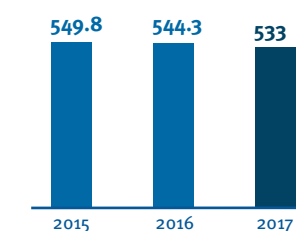
- ◆ notifying land users, local authorities and businesses of the need to comply with the rules for identification of grid facilities buffer areas and with specific conditions of land use within these areas, danger and inadmissibility of unauthorised works within buffer areas (4,787 notifications sent);
- ◆ classes for high-school students as a part of lessons on life safety (2,282 classes held);
- ◆ producing cartoons and videos educating children on injury prevention; publishing electric safety pamphlets (reminders) for the wider public.

Prevention of injuries to contractor employees:

- ◆ considering health and safety performance and injury rates when selecting contractors;
- ◆ incorporating contractors' liability for violation of health and safety rules into relevant contracts;
- ◆ organising joint health and safety drills and procedures with contractors in accordance with applicable regulations;
- ◆ providing access to grid facilities for assigned contractor personnel only after the contractor's documents are thoroughly examined for compliance with applicable regulations;

Gradual reduction of costs for the Programme implementation is attributable to completion of initiatives that do not require recurrent annual investment.

Prevention of Injuries Programme costs, RUB mn



4,787 NOTIFICATIONS

ON MANDATORY OBSERVATION
OF THE RULES FOR SETTING
OF POWER GRID FACILITY
BUFFER ZONES WERE SENT
TO LAND USERS IN 2017

¹ Programme on the Reduction of the Third Party Injury Risks at the IDGC of Centre's facilities for 2017 (approved by the decision of the Board of Directors, Minutes No.01/17 dated February 1, 2017).

PUBLIC RELATIONS

THE COMPANY'S COMMUNICATION POLICY IS CLOSELY ALIGNED WITH THE ROSSETI GROUP UNIFORM COMMUNICATION POLICY AND IS BASED ON THE PRINCIPLES OF INFORMATION TRANSPARENCY, AVAILABILITY, TIMELY ACCESSIBILITY AND RELIABILITY.

Government Relations

As part of relations with local authorities in the regions in which the Company operates, a series of working meetings were held in 2017 between IDGC of Centre management and the heads of Russian regions to discuss joint efforts of the Company and the executive bodies of the regions in ensuring reliable power supplies, creating conditions for new grid connections, and preventing capacity shortages in the areas covered by the Company.

Awareness Campaigns

In 2017, the Company carried out awareness campaigns to inform the general public about preparations for winter season and winter period performance, energy efficiency improvements, progress on prevention of injuries to third parties at grid facilities, IT infrastructure development, and other operational programmes carried out by the Company, and explain the procedures for connection to the Company's grids. Also the Awareness Program dedicated to the Year of Ecology in Russia was implemented in 2017.

IDGC of Centre extensively worked in social networks and blogosphere maintaining and updating the information on the Company's official account pages of the popular internet sites. Special consideration was given to explanatory work and validity check of information shared in the networks and blogs in the periods of power losses due to unfavourable weather conditions.

Participation in Major Public Events

In 2017, the Company took part in major national and regional industry forums, including Russian Energy Week 2017 International Forum. Innovative solutions and advanced technologies were presented at the forums, as well as implemented energy saving and energy efficiency improvement projects.

Besides, in 2017 IDGC of Centre participated in St. Petersburg International Economic Forum, International Investment Forum "Sochi-2017", All-Russian Week of Labour Safety.

Corporate Communications Awards

The project of the Belgorod branch of IDGC of Centre "Electrical Safety ABC" aimed to prevent electrical injuries of children and teenagers won the nomination for Safe Energy on the Third All-Russian Competition "MediaTEK-2017".

"Electrical Safety ABC" is a complex of printed and video material for classes, social campaigns and other events aimed to promote electrical safety among children and teenagers. The complex uses a principle "Learn and solidify" and addresses the most critical issues of electricity.

**IDGC OF CENTRE'S PROJECT
"ELECTRICAL SAFETY ABC"
WON THE NOMINATION FOR
SAFE ENERGY ON THE THIRD
ALL-RUSSIAN COMPETITION
"MEDIATEK-2017"**

CHARITABLE INITIATIVES

The Company uses approved Regulations on the Formation and Use of the Sponsorship and Charity Fund to define the goals, application and financing procedures, and sources of funding for IDGC of Centre's charitable and sponsorship activities. In 2017, the activities were in two focus areas:

Assistance in the sphere of education, science, and learning:

- ◆ lectures of leading national and international researchers and power engineering professionals;
- ◆ annual applied research conferences and series of workshops for young scholars and industry specialists;
- ◆ publication of educational materials, etc.;
- ◆ assistance in implementation of project 'Ecological problems of the Yaroslavl Region. Regional environmental policy and public organisations environmental activities' dedicated to the Year of Ecology in Russia.

Social support:

- ◆ assistance in arrangements for the Victory Day events;
- ◆ support for the families of fallen members of antiterrorist units.



The Regulations is available
on the official website of
IDGC of Centre

PROCUREMENT

Procurement activities of IDGC of Centre in 2017 were carried out based on the Uniform Procurement Standard of ROSSETI, PJSC¹ approved by the Company's Board of Directors as an internal standard. The Standard incorporates provisions of Federal Law No. 223-FZ On Procurement of Goods, Work and Services by Certain Types of Legal Entities dated 18 July 2011.

Procurement structure

In the reporting year, 5,727 procurement contracts for a total of RUB 25,355.5 mn (excl.VAT) were awarded. The share of competitive procurement processes in the procurement structure was 96.5 % of total purchases in value terms (the share of single-source procurements was 3.5 %). E-commerce tools were used to award 2,252 contracts worth a total of RUB 24,057.4 mn excl.VAT. (100% of the total number of purchases in value terms excluding single-source procurements, procurements through biddings organised by sellers, simple and small-size procurements).

The economic effect on the outcome of the procurement processes for the period amounted to RUB 860.4 mn excl.VAT or 3.3% of the declared value of the planned purchases.

Procurement from small and medium-sized enterprises (SMEs)

In 2017, share of procurements from SMEs was 64.9 % of the total number of purchases. Share of procurements from SMEs by bidding or other procurement processes stipulated in the Regulations on Procurement, which involve only SMEs as the bidders, was 19.8 % of the total number of purchases.

No procurement contract awarded in 2017 contained a condition of engaging SMEs as subcontractors (associate contractors).

860.4 RUB MN

FINANCIAL SAVINGS
AS PER PROCUREMENT
RESULTS IN 2017



For more details on
procurement methods see
the Appendix to the Annual
Report on the official website
of IDGC of Centre

THE ANNUAL SHARE OF
PROCUREMENTS FROM SMEs
WAS 64.9% OF THE TOTAL
NUMBER OF PURCHASES

¹ Minutes No.27/15 dated December 29, 2015.

FINANCIAL REVIEW



CREDIT RATINGS

Standard & Poor's: "BB-/B", Positive outlook

This credit rating shows that in the short term the Company is less prone to credit risks. Nevertheless, in the long term, changes in business and economic conditions may adversely affect the Company's ability to meet its financial obligations. Positive outlook of the Company's rating reflects a possibility of its upgrading in case ratings of the Russian Federation are also revised upwards.

In June 2017, the long-term national credit rating of "ruAA" was revoked at the initiative of the National Rating Agency due to changes in rating agency performance regulations. Currently, the NRA is undergoing a registration procedure for the Bank of Russia's Register of Credit Rating Agencies. Until on the Register, the NRA performs no rating activities.

IN JULY 2017, STANDARD & POOR'S RATING AGENCY AFFIRMED IDGC OF CENTRE'S LONG-TERM INTERNATIONAL CREDIT RATING OF "BB-/B" WITH POSITIVE OUTLOOK.

Events After the Reporting Date

Standard & Poor's: "BB/B", Stable outlook

IN FEBRUARY 2018, STANDARD & POOR'S AGENCY REVISED UPWARDS THE LONG-TERM CREDIT RATING OF IDGC OF CENTER FROM "BB-" TO "BB" WITH STABLE OUTLOOK AND AFFIRMED THE COMPANY'S SHORT-TERM RATING OF "B".

Monopolistic market positions, the importance of the company as an element of the technical infrastructure of the Unified Energy System of Russia, and a stable ownership structure makes a positive influence on the Company's rating. Expert RA highly assesses the level of profitability of IDGC of Center, low level of debt burden, comfortable structure of debt repayment and forecasted level of liquidity: the agency assumes that the company will continue to finance capital expenditures through operating cash flow without attracting new borrowings. The quality of corporate management and the level of information transparency of IDGC of Center are also highly appreciated by the agency.

RAEX: "ruAA", Stable outlook

IN FEBRUARY 2018, RAEX RATING AGENCY (EXPERT RA) ASSIGNED IDGC OF CENTER, PJSC A LONG-TERM NATIONAL CREDIT RATING OF "RUAA" WITH STABLE OUTLOOK.

According to S&P, the Company has a stable results in its core activities. The outlook Stable reflects expectations that in the next 12 months IDGC of Center will demonstrate stable operating performance.

TARIFF POLICY

CORE OPERATIONS OF IDGC OF CENTRE ARE REGULATED BY THE GOVERNMENT THROUGH EXECUTIVE AUTHORITIES RESPONSIBLE FOR STATE TARIFF REGULATION, WHICH SET RELEVANT TARIFFS (FEES).

POWER TRANSMISSION TARIFFS

Levels of decision-making on setting tariffs

Approval by REC of tariffs for regional power transmission services (single “pot”) and individual tariffs)

Approval of threshold minimum and maximum tariffs for power transmission services by the FAS of Russia

Substantiated proposals on tariff thresholds for power transmission services submitted by REC to the FAS of Russia

Submission of proposals on the predictive balance structure and a tariff application to REC

In 2017, two methods were used to set tariffs for power transmission services applicable across the Company’s branches

RAB regulation	Belgorodenergo Kurskenergo Yarenergo Orelenergo Voronezhenergo Kostromaenergo Smolenskenergo Tambovenergo
Long-term RGR indexation	Bryanskenergo Lipetskenergo Tverenergo

The regulation method for each of the Company’s branches is chosen by the relevant regulatory authority subject to Resolution No.1178 of the Russian Government dated December 29, 2011 “On Price Formation Regarding Regulated Prices (Tariffs) in the Power Industry”.

Changes of “single pot” tariff over time

Average weighted single (“pot”) tariffs for power transmission services, **kopecks/kWh**

Metric	2015	2016	2017
Average weighted power transmission tariff	148.4	156.2	176.7
Change	1.2%	5.3%	13.1%



Average weighted single (“pot”) tariffs for power transmission in 2015–2017 broken down by branch are shown in Appendix 3.5 to the Annual Report, and are also available on the Company’s website

Required Gross Revenue (RGR)

In December 2016, tariff regulation executive authorities of the constituent entities of the Russian Federation (the REC) in the IDGC of Centre operations area set up tariffs for power transmission via grids owned by or belonging to territorial grid organisations on other legal ground, as required by the Russian Law.

Tariff balance solutions (the TBS) for 2017 are established within the framework of FAS-approved threshold minimum and maximum tariffs for power transmission services rendered to consumers not related to the households and equivalent consumer categories (considering the marginal growth limitation of 3.0 % from July 1, 2017 set up by the forecast of the Ministry of Economic Development of the Russian Federation).

Since July 1, 2017, the TBS for other consumers in regions, where the last mile contracts were terminated as of July 1, 2017, were set so to exceed the forecast of the Ministry of Economic Development of the Russian Federation, including

- ◆ Kursk Region – 14%;
- ◆ Lipetsk Region – 12%;
- ◆ Belgorod Region – 5% (with regard to exceedence of the threshold tariffs in the first half-year 2017 by 4%).

Moreover, the Smolensk Region REC initiated exceedence of the threshold tariffs in terms of the maintenance tariff rate by 5 %.

In general, results of the tariff campaign for 2017 showed 2.7 % increase of “single pot” RGR of IDGC of Centre (or RUB 2,337.9 mn) and 3.1% total increase of RGR for operations of IDGC of Centre branches (or RUB 1,331.9 mn).

The branches that have reported the highest RGR growth include:

- ◆ Yarenergo + 15.2 % (RUB 643.8 mn);
- ◆ Tverenergo + 8.6 % (RUB 359.9 mn);
- ◆ Kostromaenergo + 4.7 % (RUB 136.2 mn);
- ◆ Orelenergo + 3.9 % (RUB 86.1 mn);
- ◆ Voronezhenergo + 3.5 % (RUB 188.2 mn);
- ◆ Tambovenergo + 2.6 % (RUB 72.9 mn);
- ◆ Smolenskenergo + 1.8 % (RUB 77.6 mn).

Zero growth of RGR for operations of Belgorodenergo, Kurskenergo and Lipetskenergo branches was due to termination of the last-mile contracts as of July 1, 2017. Net delivery of these branches in 2017 reduced by 20 % year-to-year (incl. Belgorog – 20.8 %, Kursk – 23.8 %, Lipetsk – 17.4 %).

RGR used for the Company’s branches accounts for the bulk of the single (“pot”) RGR, or 50.3 %, costs for the services of FGC UES, PJSC account for 20.1 % and compensation costs (to compensate for losses in our transmission grids) account for 15.1 %. Services of other TGOs make up 14.5 %. The breakdown of RGR remained substantially unchanged year-on-year.

In 2017, the share of IDGC of Centre in the RGR of regions, in which the Company operates, came at 85.9 %, also virtually flat over the past 3 years.



For more details on tariffs set up in each branch please visit the official website of IDGC of Centre

CONNECTION TARIFFS

Connection tariffs are regulated by methodology guidelines approved by Order No.209-e/1 of the Federal Tariff Service of Russia dated September 11, 2012, whereby executive authorities of the constituent entities of the Russian Federation responsible for state tariff regulation are mandated to set:

- ◆ for the regulatory period: rates per maximum capacity unit (RUB per kW); standardised tariff rates (RUB per km, RUB per kW);
- ◆ upon request by a grid organisation, a fee for connection of consumer terminals, with a maximum capacity of at least 8,900 kW and a voltage of at least 35 kV, and power generation facilities to territorial transmission grids, as well for connection of individual projects.

The rates per unit of maximum capacity and standardised tariff rates for connection services are set at prices applicable in the regulatory period. Standardised tariff rates designed to cover construction costs of a grid organisation are approved by the regulatory authority in prices of 2001.

Subsidised connection

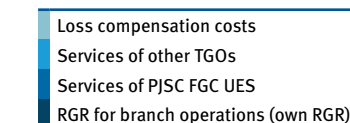
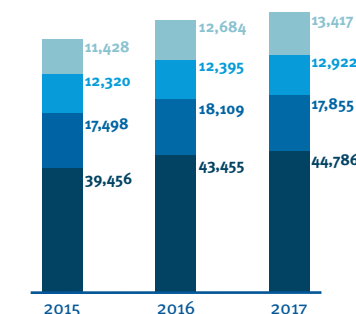
Applicants who have submitted an application for connection of consumer terminals with a maximum capacity not exceeding 15 kW (including the capacity connected at the same connection point), or for connection of horticultural, market gardening, dacha (country house) owners and other non-profit associations (garage cooperatives), religious organisations, and citizens who combined their garages with household outbuildings (cellars, sheds), are offered subsidised connections at the price not exceeding RUB 550 per connection, provided that consumer terminals of such applicants fall within the third reliability category and are located not more than 300 m in urban areas, or not more than 500 m in rural areas, away from existing grid facilities of grid organisations.

In addition, since October 1, 2015, the investment component covering expenses for construction of power grid facilities (from existing facilities to connected terminals) included in the connection fee for consumer terminals with a maximum capacity not exceeding 150 kW can not take more than 50 % of the specified costs. And starting from October 1, 2017, it is not included into the connection fee at all.

Connection costs for the subsidised category of consumers, which are not included in the connection fee (revenue shortfall) are offset by power transmission tariffs.

In 2017, subsidised categories of consumers from “Up to 15 kW inclusive” category accounted for over 83 % of the total grid connection contracts. During the year, other categories of applicants used the following pricing options.

Structure of RGR for power transmission¹, RUB mn



83 %

SHARE OF SUBSIDISED
CONNECTION CONTRACTS

Subsidised connections are specified in paragraph 17 of the Rules for grid connection of electricity consumer terminals approved by Decree No.861 of the Government of the Russian Federation dated December 27, 2004.

¹ RGR in 2015–2017 broken down by branches, and the estimated share of the Company in regional structure RGR are shown in Appendix No. 3.5 to the Annual Report.

Revenue shortfall by IDGC of Centre branches in 2017, RUB thou.

Branch	Revenue shortfall, RUB thous.	Regulations issued by regulatory authorities
Bryanskenergo	55,113.95	Order No.40/2-pe of the Office for State Tariff Regulation of the Bryansk Region dated December 27, 2016
Voronezhenergo	76,544.93	Order No.61/8 of the Office for State Tariff Regulation of the Voronezh Region dated December 27, 2016
Kostromaenergo	18,698.92	Resolution No.16/520 of the Department for State Price and Tariff Regulation of the Kostroma Region dated December 28, 2016
Kurskenergo	27,374.80	Resolution No.100 of the Committee on Tariffs and Prices of the Kursk Region dated December 23, 2016
Lipetskenergo	305,337.25	Resolution No.48/3 of the Office of Energy and Tariffs of the Lipetsk Region dated December 27, 2016
Orelenergo	10,728.52	Order No.1754-t of the Office of Tariffs and Price Policy of the Orel Region dated December 27, 2016
Smolenskenergo	16,072.00	Resolution No.533 of the Department of Energy, Energy Efficiency and the Tariff Policy of the Smolensk Region dated December 29, 2016
Tambovenergo	10,301.77	Order No.233-e of the Office for Tariff Regulation of the Tambov Region dated December 22, 2016
Yarenergo	17,244.62	Order No.418-sts of the Department of Energy and Tariff Regulation of the Yaroslavl Region dated December 20, 2016

Rate per unit of maximum capacity

During the reporting year, the average rate per unit of capacity inclined 1% year-on-year to RUB 4,152.9 per kW.

Significant reduction of the average payment settlement rate in 2016 was due to changes in the regulator’s approach in the Yaroslavl Region to recognition of the approved RGR: previously, this metric factored in the subsidised category of consumers, which was excluded in 2016.

Standardised tariff rates

Standardised rates were differentiated as follows:

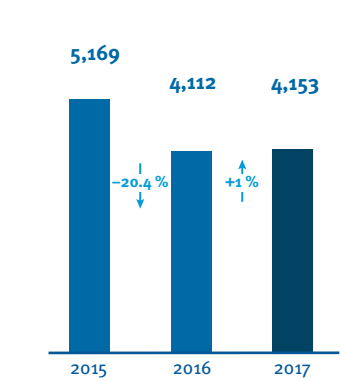
- ◆ by service;
- ◆ by applicant category;
- ◆ by voltage;
- ◆ by connected capacity.

Branches of Bryanskenergo, Kostromaenergo, Orelenergo, Smolenskenergo, Tambovenergo, Tverenergo, and Yarenergo (except for those listed above) also differentiate rates by cable type and grade, connection method, and by type and nominal capacity of substation equipment and transformers.

Average standardised tariff rates in 2017

Metric	Range of rate by branch	Connection services (C1)	Construction of overhead power lines (C2)	Construction of cable lines (C3)	Construction of substations (C4)
		RUB per kW	RUB per km	RUB per km	RUB per kW
Compensation rate (designed to cover costs of the grid organisation)	Min	111.57	912,301.5	1,658,141.8	1,993.63
	Max	717.81	2,750,730.14	6,414,969.05	29,365.41

Average rate per unit of capacity, RUB/kW



For more details on grid connection tariffs please visit the official website of IDGC of Centre



Average standardised tariff rates broken down by the Company's branches are available in Appendix 3.5 to the Annual Report and on IDGC of Centre's website

Individual project fees

The fee for connection of individual projects (power generation facilities with a maximum capacity of at least 8,900 kW and a voltage of at least 35 kV) is set by the regulator on a case-by-case basis.

4,152.9 RUB/kW

(+1%)

AVERAGE RATE PER UNIT OF CAPACITY IN 2017

SALES MARKUPS BY THE GUARANTEEING SUPPLIER

By Order No.1214.of the Ministry of Energy of the Russian Federation dated November 17, 2016 “On Appointment of Territorial Grid Organization as Guaranteeing Supplier”, on December 1, 2016, IDGC of Centre, PJSC was appointed a guaranteeing supplier for the operations area of Transserviseenergo, JSC.

Power and capacity marketing tariffs are regulated via sales markups set for the following groups of consumers:

Households and equivalent consumer categories	Markups are set for the relevant regulatory period in absolute terms in RUB per kWh
Grid organisations that purchase electricity to offset their electricity losses	
Other consumers	Markups are differentiated across sub-groups of consumers by the maximum capacity of their consumer terminals.
	These markups also include:
	• Sales margins from a specific sub-group of other consumers;
	• Creg (Guaranteeing Supplier)

Sales markups applied in 2017

Region	Period	Households	Grid organisations	Creg	Other consumers			
					Sales margins from other consumers, %			
		RUB per kWh	RUB per kWh		below 150 kW	from 150 kW to 670 kW	from 670 kW to 10 MW	at least 10 MW
Tver Region	1 half-year 2017	0.31692	0.10034	0.54	17.20	15.81	10.77	6.25
	2 half-year 2017	0.27122	0.27677	0.49	17.03	15.65	10.66	6.18

Average standardised tariff rates are based on RGR approved for 2017, maximum capacity and other physical parameters.

FINANCIAL REVIEW

FINANCIAL PERFORMANCE

In 2017, the Company's revenue increased by 5.7% up to RUB 91,060.4 mn year-on-year. Revenue growth was for all core operations. Revenue from power transmission services in 2017 accounted for RUB 87,622.9 mn (up 4.8% year-on-year). Such growth occurred due to increase in the average tariff and lower cost of variable losses.

Revenue from grid connection services increased by 12.7 % up to RUB 1,591.2 mn year-on-year. Revenue from power resale accounted for RUB 548.8 mn, that from other services came at RUB 1,297.9 mn, a year-on-year increase of 22.8 %.

Production costs came with a year-on-year increase of RUB 5,530.7 mn (7.5 %). Such growth was caused by the increase in uncontrollable costs.

By the end of 2017, the financial result came with a year-on-year increase of RUB 164.7 mn. Beside the abovementioned factors, the following core factors impacted the changes of 2017 financial result vs 2016:

- ◆ increase of other revenues, including: "Interest income" (RUB 116.1 mn) – the growth was due to depositing of temporary free cash in banks; "Any other revenues" (reversal of provisions) in branches of Voronezhenergo, Yarenergo;
- ◆ reduction of other expenses, including: "Interest expenses" (RUB 461.3 mn) due to decrease of contracted loans; the amount of "Allocations to valuation provisions" came in 2017 with year-on-year decrease of RUB 1,418.4 mn;
- ◆ growth of the profit tax and other payments by RUB 1,903.7 mn due to increase of profit before tax and submission of adjusted declarations for 2010 profit tax and charging of additional taxes for 2011-2012 under the court decision.

+5.7 %
REVENUE GROWTH

¹ As per financial statements prepared under the Russian Accounting Standards (RAS).

² EBITDA was calculated as Profit before tax – Interest payable + Depreciation = Line 2300 (RAS Form No. 2) – Line 2330 (RAS Form No. 2) + Line 6514 (RAS Form No. 2.1) + Line 6554 (RAS Form No. 2.1) + Line 6564 (RAS Form No. 2.1)

Key financials in 2015-2017, RUB mn¹

S.No.	Metric	2015	2016	2017	Change	
					RUB mn	%
1	Revenue from product(service) sales, including:	79,817.2	86,110.3	91,060.4	4,950.1	5.7
1.1.	Electricity transmission	77,733.6	83,590.4	87,622.9	4,032.5	4.8
1.2	Grid connection	1,159.7	1,411.3	1,591.2	179.9	12.7
1.3.	Electricity sales	0.0	51.6	548.4	496.8	962.8
1.4.	Other activities	923.9	1,057.0	1,297.9	240.9	22.8
2	Cost of sales	68,520.1	73,492.4	79,023.1	5,530.7	7.5
3	Gross profit	11,297.1	12,617.9	12,037.4	–580.5	–4.6
4	Management costs	2,193.8	2,052.7	2,173.3	120.6	5.9
5	Selling costs	0.0	0.6	20.2	19.6	3,266.7
6	Profit (loss) from sales	9,103.3	10,564.6	9,843.9	–720.7	–6.8
7	Interest receivable	267.3	250.7	366.8	116.1	46.3
8	Interest payable	4,195.4	4,507.7	4,046.4	–461.3	–10.2
9	Income from shareholdings	17.7	12.9	21.6	8.7	67.4
10	Other revenues	5,211.8	3,690.9	4,338.8	647.9	17.6
11	Other expenses	8,440.4	7,502.2	5,947.1	–1,555.1	–20.7
12	Profit (loss) before tax	1,964.3	2,509.2	4,577.6	2,068.4	82.4
13	Income tax and other charges	1,055.3	642.5	2,546.2	1,903.7	296.3
14	Net profit (loss)	909.0	1,866.7	2,031.4	164.7	8.8
15	EBITDA ²	15,219.2	16,884.5	19,364.6	2,480.1	14.7

Revenue

Revenue structure and changes (RAS), RUB mn

Metric	2015	2016	2017	Change	
				RUB mn	%
Total revenue	79,817.2	86,110.3	91,060.4	4,950.1	5.7
including:					
Electricity transmission	77,733.6	83,590.4	87,622.9	4,032.5	4.8
Electricity transmission, including internal electricity sales	77,733.6	83,613.0	87,866.3	4,253.3	5.1
Grid connection	1,159.7	1,411.3	1,591.2	179.9	12.7
Electricity sales	0.0	51.6	548.4	496.8	962.8
Electricity sales, excluding internal electricity transmission	0.0	29.0	305.0	276.0	951.7
Other services	923.9	1,057.0	1,297.9	240.9	22.8

In 2017, revenue from electricity transmission services (including internal electricity sales) rose by 5.1 % driven by the following factors:

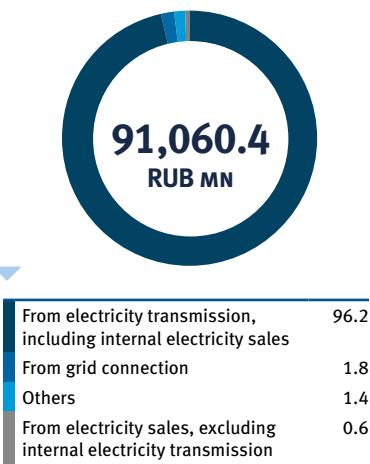
- ◆ higher average tariff rate (revenue growth by RUB 9,647.9 mn);
- ◆ lower variable losses (revenue growth by RUB 1,513.8 mn);
- ◆ lower net delivery (revenue decline by RUB 6,908.4 mn).

In 2017, revenue from grid connection services came at RUB 1,591.2 mn, up 12.7 % year-on-year. This growth was driven by major grid connection contracts implemented by such branches as Belgorodenergo, Tmbovenergo, Kurskenergo, and Trevenergo in 2017.

In 2017, revenue from electricity sales (excluding internal electricity transmission) stood at RUB 305 mn, 10 times increase year-on-year. It was due to the fact that the Company took on the role of Guaranteeing Supplier on December 1, 2016.

Revenue from other services in 2017 came at RUB 1,297.9 mn, a year-on-year increase of RUB 240.9 mn (up 22.8 %). This growth in other revenue in 2016 was mainly driven by higher volumes of services for customisation of power grid facilities for customers, provision of technical resources, set-up of outdoor lighting systems and grid connection support.

Structure and changes of revenue (RAS) for 2017, %



Electricity transmission

Revenue from power transmission services

IDGC of Centre resales the electrical power acting as a guaranteeing supplier within the territory of the Tver Region in the operations area of Transservicenergo, JSC.¹ The functions of the Company as a guaranteeing supplier were prolonged by 12 months more since December 1, 2017.

Changes of revenue from power transmission services (RAS), RUB mn

Metric	2015	2016	2017	Change	
				RUB mn	%
Revenue from electricity transmission	77,733.6	83,590.4	87,622.9	4,032.5	+4.8
Revenue from power transmission (including territories of acting as a guaranteeing supplier of the electricity)	77,733.6	83,613.0	87,866.3	4,253.3	+5.1

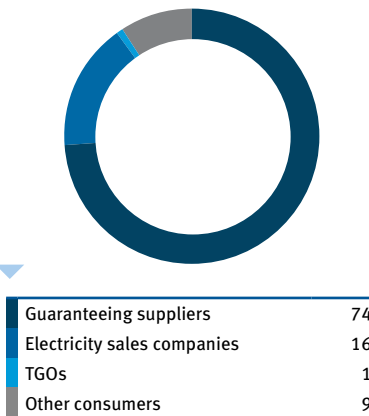
Revenue from power transmission services (RAS) shows high growth dynamics since 2015 to 2017, driven by the growth of single pot tariffs for power transmission services and by the exclusion of variable losses costs from estimation since August 1, 2017.

Revenue growth in 2017 was RUB 4,253.3 mn, or 5.1 % year-on-year, particularly driven by reduction of variable losses costs by RUB 1,513.8 mn.

Major revenue growth (in relative conditions) provided by guaranteeing suppliers was RUB 5,221.6 mn, or 8.7 %, particularly driven by increase of net delivery volumes by RUB 411.4 mn due to increase of average tariff by RUB 3,717.9 mn, reduction of variable losses costs by RUB 1,092.3 mn.

Lower revenues in 2017 year-on-year should be noted for other consumers (by RUB 1,048.4 mn, or 12.4 %), mainly driven by change-over of last-mile consumers to direct contract relations with FGC UES, PJSC since July 1, 2017.

Revenue from power transmission services broken down by consumer group, %



¹ By Order No.1214 of the Ministry of Energy of the Russian Federation dated November 17, 2016.

Changes of power transmission revenue structure, RUB mn

Metric	2015	2016	2017	Change	
				RUB mn	%
	77,733.6	83,613.0	87,866.3	4,253.3	5.1
Including:					
Guaranteeing suppliers	54,638.3	59,805.4	65,027.0	5,221.6	8.7
Electricity sales company	13,906.7	14,142.9	14,149.6	6.7	0.0
TGOs	1,101.1	1,194.9	1,268.1	73.2	6.1
Other consumers	8,087.5	8,469.9	7,421.5	-1,048.4	-12.4

Power transmission costs

Structure of power transmission costs, RUB mn

Cost elements	2015	2016	2017	Change	
				RUB mn	%
Total power transmission costs ¹	69,756.1	74,511.1	79,927.3	5,416.2	7.3
Uncontrollable costs	46,329.7	49,940.7	54,017.8	4,077.1	8.2
Loss compensation costs	10,594.9	11,865.5	13,609.1	1,743.6	14.7
Services of FGC UES, PJSC	15,259.8	15,937.2	16,822.7	885.5	5.6
TGO services	11,447.1	12,299.9	12,874.1	574.2	4.7
Depreciation of fixed and intangible assets	9,027.9	9,838.1	10,711.9	873.8	8.9
Controllable costs	23,426.4	24,570.4	25,909.5	1,339.1	5.5
Material costs	2,770.2	2,910.7	3,269.6	358.9	12.3
Production-related services	710.9	752.6	832.6	80.0	10.6
Staff costs (payroll, social security charges, contributions to private pension funds)	15,781.9	16,515.0	17,102.6	587.6	3.6
Other costs	4,163.4	4,392.1	4,704.7	312.6	7.1

The Company's power transmission costs in 2017 were RUB 79,927.3 mn, up by RUB 5,416.2 mn, or 7.3%, year-on-year. The higher costs were due to an increase in the following elements:

- ◆ Loss compensation costs (driven by an increase in the average weighted uncontrollable prices on the Wholesale Electricity and Capacity Market);
- ◆ Costs of FGC UES, PJSC services (due to a lower variable losses, the higher maintenance rate for UNPG facilities and the higher average compensation rate for standard transmission losses in UNPG networks);
- ◆ TGO service costs (driven by higher individual tariffs);
- ◆ Depreciation of payments (+8.9% year-on-year), due to the commissioning of fixed assets within the framework of the investment programme;
- ◆ Staff costs (+3.6% year-on-year), driven by the indexation of "blue-collar" salaries, recruitments by the Company's branches;
- ◆ Material costs (+12.3%), due to implementation of the Programme to reduce electricity losses.

Net profit from power transmission services

Changes of net profit from power transmission services, RUB mn:

Metric	Unit	2015	2016	2017	Change	
					RUB mn	%
Net profit from power transmission services		8.3	785.7	296.6	-489.1	-62.3

By the end of 2017, net profit from the power transmission services was RUB 296.6 mn, posting a year-on-year decrease of RUB 489.1 mn. The key drivers behind the year-to-year deviation of the actual profit in the reporting year included:

- ◆ Revenue growth by RUB 4,253.3 mn (5.1%);
- ◆ Higher costs, up by RUB 5,416.2 mn (7.3%);
- ◆ Decrease of negative balances of other revenues and expenses, down by RUB 2,356.6 mn (29.7%);
- ◆ Growth of the profit tax by RUB 1,682.7 mn.

Grid connection services

Revenue from grid connection services

Structure of grid connection revenue, RUB mn

Metric	2015	2016	2017	Change	
				RUB mn	%
Revenue	1,159.7	1,411.3	1,591.2	179.9	+12.7
including:					
up to 15 kW inclusive, total	67.0	63.8	61.9	-1.9	-3.0
more than 15 kW and up to 150 kW inclusive	275.7	298.2	313.5	15.3	+5.1
more than 150 kW and less than 670 kW	344.3	493.8	427.2	-66.6	-13.5
at least 670 kW	463.8	555.3	788.5	233.2	+42.0
generating facilities	8.9	0.2	0.1	-0.1	-50

IDGC of Centre, PJSC showed the grid connection revenue growth over the past three years. The highest growth was observed in the "More than 670 KW" applicant category (+42.0% year-on-year). Thus, the growth of Company's revenue from grid connection services in 2017 was driven by a higher number of large facilities connections to IDGC of Centre's grids.

¹ Costs include cost of services with regard to management and selling costs.

Grid connection costs

Structure of grid connection costs, RUB mn:

Cost elements	2015	2016	2017	Change	
				RUB mn	%
Total grid connection costs ¹	429.4	417.4	344.3	−73.1	−17.5
Including:					
Material costs	49.2	33.8	18.7	−15.1	−44.7
Production-related services	4.0	5.8	2.5	−3.3	−56.9
Depreciation of fixed and intangible assets	14.2	12.0	10.4	−1.6	−13.3
Staff costs (payroll, social security charges, contributions to private pension funds)	289.0	291.6	250.2	−41.4	−14.2
Other expenses	73.0	74.2	62.5	−11.7	−15.8

In 2017, the grid connection costs of the Company totalled RUB 344.3 mn, down 17.5 % year-on-year. The decrease was mostly due to the launch of mobile grid-connection crews, whose costs are charged to investment activity.

Net profit from grid connections

Net profit from grid connection services, RUB mn

Metric	2015	2016	2017	Change	
				RUB mn	%
Net profit ²	584.2	705.9	970.0	264.1	37.4

As of the end of 2017, net profit from grid connection services totalled RUB 970 mn, representing a year-on-year increase of RUB 264.1 mn. The key drivers behind the year-to-year deviation of the net profit included:

- ◆ revenue growth by RUB 179.9 mn (12.7%);
- ◆ Lower costs, down by RUB 73.1 mn (17.5 %);
- ◆ Decrease of negative balances of other revenues and expenses, down by RUB 90 mn;
- ◆ Growth of the profit tax by RUB 79 mn (44.8 %).

Additional service sales

Revenue from additional services, RUB mn

Metric	2015	2016	2017	Change	
				RUB mn	%
Revenue from additional services,	843	1,005	1,253	248	24.7

An increase of 24.7 % in revenue year-on-year was mostly due to the development of the following services:

- ◆ Set-up of outdoor lighting systems - growth by RUB 14 mn (6 %);
- ◆ Customisation of power grid facilities for customers - growth by RUB 171 mn (95 %);
- ◆ Provision of technical resources - growth by RUB 41 mn (23 %);
- ◆ Grid connection support - growth by RUB 10 mn (6 %);
- ◆ Meter installation and replacement - growth by RUB 9 mn (6 %).

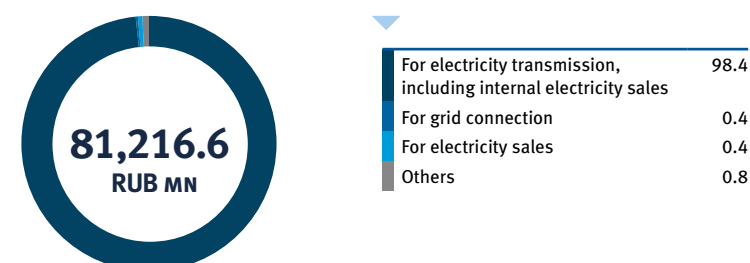
Cost of sales³

Changes of revenue cost, RUB mn.

Metric	2015	2016	2017	Change	
				RUB mn	%
Cost of revenue (including management and selling costs)	70,713.9	75,545.7	81,216.6	5,670.9	7.5
Including:					
Electricity transmission	69,756.1	74,511.1	79,927.3	5,416.2	7.3
Electricity transmission, including internal electricity sales	69,756.1	74,511.1	79,927.3	5,416.2	7.3
Grid Connection	429.4	417.4	344.3	−73.1	−17.5
Electricity sales	0.0	27.7	297.2	269.5	972.9
Electricity sales, excluding internal electricity transmission	0.0	27.7	297.2	269.5	972.9
Other	528.4	589.5	647.8	58.3	9.9

The year-on-year increase in the cost of sales (including management and selling costs) was RUB 5,670.9 mn, or 7.5 %, mainly due to higher uncontrollable costs for loss compensation, services provided by FGS UES, TGOs, and depreciation.

Change in revenue costs for 2017, %



¹ Costs include cost of services with regard to management and selling costs.

² Net profit from grid connection is a source for financing the bulk of Company's obligations to execute the grid connection contracts.

³ As per management statements.

Structure of revenue costs, RUB mn

Metric	2015	2016	2017	Change	
				RUB mn	%
Total uncontrollable costs	46,361.3	49,997.3	54,323.4	4,326.1	8.7
Including:					
Loss compensation costs	10,594.9	11,865.5	13,609.1	1,743.6	14.7
Services of FGC UES, PJSC	15,259.8	15,937.2	16,822.7	885.5	5.6
TGO services	11,447.1	12,299.9	12,874.1	574.2	4.7
Depreciation of fixed and intangible assets	9,059.5	9,867.6	10,740.6	873.0	8.8
Electricity purchased for resale	0.0	27.1	276.9	249.8	921.8
Total controllable costs	24,352.6	25,548.4	26,893.2	1,344.8	5.3
Including:					
Material costs	2,956.3	3,099.4	3,451.9	352.5	11.4
Production-related services	784.5	872.2	944.4	72.2	8.3
Staff costs (payroll, social security charges, contributions to private pension funds)	16,286.7	17,049.2	17,641.9	592.7	3.5
Other costs	4,325.1	4,527.6	4,855.0	327.4	7.2
Total costs	70,713.9	75,545.7	81,216.6	5,670.9	7.5

The cost structure comprises uncontrollable and controllable costs.

Uncontrollable costs

Uncontrollable cost increase of RUB 4,326.1 mn, or 8.7 %, was due to the following factors:

- ◆ Loss compensation costs of RUB 13,609.1 mn, representing a year-on-year increase of RUB 1,743.6 mn (14.7 %), mainly driven by an increase in average weighted uncontrollable prices in the Wholesale Electricity and Capacity Market;
- ◆ Services of FGC UES, PJSC for RUB 16,822.7 mn, up RUB 885.5 mn (5.6 %) year-on-year, mainly driven by decrease of total variable losses and higher maintenance rate for UNPG facilities and the higher average compensation rate for standard transmission losses in UNPG networks;
- ◆ TGO services of RUB 12,874.1 mn, a year-on-year increase RUB 574.2 mn (4.7 %), driven by higher individual tariffs for services of Territorial Grid Organisations;
- ◆ Depreciation of fixed assets and intangible assets of RUB 10,740.6 mn, a year-on-year increase of RUB 873 mn (8.8 %), driven by the commissioning of new fixed assets;
- ◆ Costs for electricity purchased for resale came at RUB 276.9 mn, a year-on-year increase of RUB 249.8 mn, driven by the Company's acting as the guaranteeing supplier as of December 1, 2016.

54,323.4

RUB MN
(66.9% of total costs)
UNCONTROLLABLE COSTS
IN 2017

Controllable costs

The year-on-year growth was RUB 1,344,8 mn, or 5.3 %, including:

- ◆ Material costs, which grew by RUB 352,5 mn (11.4 %), driven by performance of works under the Programme to reduce electricity losses in the Company's grid and preparation of “Volya” training site (branch of Voronezhenergo) for skills contests among crews for repair and maintenance of 0.4-10 kV distribution grids;
- ◆ Production-related services, which grew by RUB 72.2 mln (8.3 %), driven by an increase in the amount of additional services and works under the repair programme;
- ◆ Staff costs (payroll, social security charges, contributions to private pension funds), which grew by RUB 592.7 mn (3.5 %), driven by the following factors: indexation of salaries; recruitments by the Company's branches as a result of agreements for lease of electrical grid facilities in 2016 – 2017 (Rzhev city of the Tver Region, Semiluksky Municipal District of the Voronezh Region), and recruitment by Tverenergo branch resulting from the appointment as a guaranteeing supplier as of December 1, 2016 based on order of the Ministry of Energy of the Russian Federation No.1214, dated November 17, 2016; and filling of production vacancies;
- ◆ Other costs, which grew by RUB 327.4 mn (7.2 %) due to an increase in taxes and charges, driven by the higher tax rate for grid facilities under paragraph 3 of Article 380 of the Russian Tax Code (from 1.3 % in 2016 to 1.6 % in 2017), and implementation of the investment programme in terms of commissioning of new fixed assets and increase of fixed asset value by reconstruction.

26,893.2

RUB MN
(33.1% of total costs)
CONTROLLABLE
COSTS IN 2017

Other revenues and expenses

Other revenues

Other revenues posted a year-on-year increase by RUB 772.7 mn, mainly driven by:

- ◆ “Interest income” (RUB 116.1 mn) – due to interest income growth through active depositing of temporary free cash in first rate banks;
- ◆ “Income from reversal of provisions” (RUB 936.2 mn). The change is due to reversal of a large amount of bad debt provisions in 2017 as a result of debt repaid by one of our debtors and relevant back-bills signed by customers;
- ◆ “Other revenues” (RUB 69.1 mn) – mainly due to revenue under receivables assignment contracts and revenue from compensation of other incurred losses.

Additionally, in 2017, other revenues increased year-on-year as follows:

- ◆ “Write-offs of accounts payable recognised as income” (RUB 139.9 mn) – in 2016, on taking stock of its liabilities, the Company wrote off unclaimed accounts payable with expired limitation periods;
- ◆ “Breach of contract penalties recognised as income” (RUB 21.2 mn) – in 2016, great revenue was mainly represented by penalties for delay in making payments awarded by courts;
- ◆ “Other property related income” (RUB 191.9 mn) – due to an increase in stocktaking recognised as income in 2016.

Other expenses

Other expenses posted a year-on-year decline by RUB 2,016.5 mn, mainly driven by:

- ◆ “Allocations to valuation provisions” (RUB 1,418.4 mn) due to increase in accrual of bad debt and lawsuit provisions;
- ◆ “Interest expense” (RUB 461.3 mn) – driven by decrease of contracted loans.

Additionally, in 2017, other expenses increased year-on-year as follows:

- ◆ “Prior period losses carried forward” (RUB 284 mn) – due to an increase in back-billed power transmission services recognised in 2017.

Net profit

In 2017, profit before tax amounted to RUB 4,577.6 mn, representing a year-on-year increase of RUB 2,068.4 mn. Income tax and other similar mandatory charges stood at RUB 2,546.2 mn.

The Company’s net profit as at the end of 2017 was RUB 2,031.4 mn.

2,031.4

RUB MN
(+8.8%)
NET PROFIT BY THE
END OF 2017

Net profit structure, RUB mn

Metric	2015	2016	2017	Change	
				RUB mn	%
Net profit	909.0	1,866.7	2,031.4	164.7	8.8
Including:					
Electricity transmission	8.3	785.7	296.6	−489.1	−62.3
Grid connection	584.2	705.9	970.0	264.1	37.4
Electricity sales	0.0	1.1	−66.8	−67.9	−6,172.7
Other services	316.5	374.0	831.6	457.6	122.4

Profit distribution under resolutions of the Annual General Meeting of Shareholders, RUB thous.

Metric	2014 (AGMS 2015)	2015 (AGMS 2016)	2016 (AGMS 2017)
Net retained earnings	3,325,939	908,987	1,866,675
including:			
Reserve fund	-	-	-
Profit for development	2,494,246	453,034	0
Dividends	831,693	455,953	1,866,675
Recovery of losses of prior periods	-	-	-

The resolution on profit distribution for 2017 will be adopted by the Annual General Meeting of Shareholders taking into account recommendations of the Company’s Board of Directors.

EBITDA

As at the end of 2017, EBITDA stood at RUB 19,364.6 mn, a year-on-year increase of RUB 2,480.1 mn, or 14.7 %, driven by:

- ◆ an increase in revenue of RUB 4,950.1 mn;
- ◆ an increase in costs (excluding depreciation) by RUB 4,797.9 mn, mainly due to RUB 3,453.1 mn increase in uncontrollable costs;
- ◆ an increase in balances of other revenues and expenses (excluding interest payable) by RUB 2,327.8 mn.

19,364.6

(+14.7%)
EBITDA BY THE END OF 2017

¹ Net profit from grid connection is a source for financing the bulk of Company’s obligations to execute the grid connection contracts.

ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE

Accounts receivable

Indicators are shown in accordance with the Company's accounting (financial) statements for the reporting period.

Changes of accounts receivable, RUB mn¹

Metric	As at December 31, 2015	As at December 31, 2016	As at December 31, 2017	Change	
				RUB mn	%
Accounts receivable	17,748.9	15,175.7	12,361.7	-2,814.0	-18.5
Including:					
Trade receivables:	15,395.6	12,678.1	11,177.5	-1,500.6	-11.8
- Electricity transmission	13,210.0	11,932.5	10,730.3	-1,202.2	-10.1
- Electricity sales	1,837.0	455.8	142.6	-313.2	-68.7
Bills receivable	0.0	0.0	0.0	0.0	0.0
Dividends payable by subsidiaries and affiliates	0.0	0.0	0.0	0.0	0.0
Advances paid	119.9	117.1	131.0	13.9	11.9
Other debtors	2,233.4	2,380.5	1,053.2	-1,327.3	-55.8

The decline in accounts receivable by RUB 2,814.0 mn (18.5 %) was primarily due to repayment of debt owned by consumers and sales companies, including:

- ◆ A decrease in receivables for electricity transmission services by RUB 1,202.2 mn;
- ◆ A decrease in receivables for electricity sales by RUB 313.2 mn.

In order to follow up the implementation of contractual obligations, the Company prepares and reviews its monthly receivables flow statements. In case of a payment delay by over 30 days, the Company takes punitive measures as stated in the corresponding regulatory documents.

Work with overdue receivables

As at the end of 2017, overdue receivables for electricity transmission services stood at RUB 12,698 mn. Restructured overdue receivables of TNS energo Yaroslavl, PJSC accounted for RUB 1,375.8 mn.

Control over overdue receivables for electricity transmission services covers 100%, including:

- ◆ 54.6%, or RUB 7,683.5 mn, controlled under the bankruptcy proceeding;
- ◆ 31.9%, or RUB 4,488.6 mn, recovered under enforcement orders;
- ◆ 9.8%, RUB 1,375.9 mn, restructured;
- ◆ 1.9%, or RUB 260.4 mn, processed under the compliant procedure;
- ◆ 1.8%, or RUB 265.4 mn, negotiations in progress.

By the end of 2017, the total amount of overdue receivables to be recovered under enforcement orders was RUB 4,489 mn within the framework of 836 cases. As a result of our claim management efforts, total of RUB 4,606 mn were recovered, including RUB 562.4 mn under the enforcement proceeding. Irrecoverable overdue receivables for electricity transmission services worth RUB 80.8 mn were written off.

In order to restrict the overdue receivables growth and match the terms of its stage-wise decrease, on November 29, 2017, the Company and GC TNS Energo, PJSC signed a debt restructuring arrangement worth RUB 1,500.9 mn (in 2017 RUB 125 mn were redeemed) at 11.5 % per annum. The agreement shall continue until September 30, 2020, with equal quarterly payments. On December 18, 2017, the Company signed a surety agreement with primary beneficiary GC TNS Energo, PJSC to secure the execution of the agreement.

In 2017, penalties for overdue payment for electricity transmission services worth RUB 202 mn were recovered.

As at December 31, 2017, overdue receivables for electricity delivered on the retail market, when the Company was acting as the guaranteeing supplier, totalled RUB 1,832 mn, posting a year-on-year decrease of RUB 1,127.1 mn, or 38.1%, including:

- ◆ 40.6%, or 743.8 mn, controlled under the bankruptcy proceeding;
- ◆ 51%, or 934.8 mn, recovered under enforcement orders;
- ◆ 1.6%, or 28.8 mn, restructured.

Within the reporting period, accounts receivable with expired statute of limitations, bad and irrecoverable debts for the electricity delivered worth RUB 884.7 mn were written off.

In 2017, total of RUB 1,094.3 mn of accounts receivable with expired statute of limitations, bad and irrecoverable debts was written off.

Other receivables shall be recovered under the complaint management.

¹ Metrics are given as per financial statements of the Company for the reporting period.

Accounts payable

Accounts payable in 2015–2017, RUB mn:

Metric	As at December 31, 2015	As at December 31, 2016	As at December 31, 2017	Change	
				RUB mn	%
Accounts payable	10,171.4	12,033.6	10,683.2	−1,350.4	−11.2
Including:					
Trade payables	4,923.2	5,775.8	4,589.9	−1,185.9	−20.5
Bills payable	0.0	0.0	0.0	0.0	0.0
Payroll liabilities	4.3	612.8	651.8	39.0	6.4
Taxes and charges	1,063.1	1,760.7	1,685.9	−74.8	−4.2
Advances received	2,406.5	2,680.3	2,925.2	244.9	9.1
Accrued dividends	16.9	16.0	39.9	23.9	149.8
Other accounts payable	1,757.4	1,188.0	790.5	−397.5	−33.5

Accounts payable decreased by RUB 1,350.4 mn (11.2 %) mainly driven by changes in the following items:

- ◆ “Trade payables” (RUB 1,185.9 mn) – the deviation was due to repayment of current and overdue obligations under contracts;
- ◆ “Other accounts payable” (RUB 397.5 mn) – due to payment of penalty, fine payables and payables under court proceedings.

As at the end of 2017, overdue payables stood at RUB 1,142.6 mn, down by RUB 584 mn year-on-year, mainly driven by the payment of overdue payables to the contractors that fall under the category of Small and Medium-Sized Enterprises, within the framework of investment and repair programmes.

CAPITAL

Capital Structure

Metric	Unit	2015	2016	2017	Change	
					RUB mn	%
Equity	RUB mn	56,313.0	57,731.6	57,897.0	165.4	0.3
Borrowed funds	RUB mn	61,556.2	64,930.9	61,769.0	−3,161.9	−4.9
Including:						
Loans and borrowings	RUB mn	42,131.5	43,292.6	41,491.0	−1,801.6	−4.2
Accounts payable	RUB mn	10,171.4	12,033.6	10,683.2	−1,350.4	−11.2
Leverage	-	0.91	0.89	0.94	0.0	5.6
Borrowed funds in liabilities	%	52.2	53	52	-1	−1.9
Cash at the end of the period	RUB mn	105.6	2,552.6	1,358.70	−1,193.9	−46.8
Net debt	RUB mn	42,025.9	40,740.0	40,132.3	−607.7	−1.5

As at the end of 2017, equity of IDGC of Centre, PJSC stood at RUB 57,897 mn, or 48 % of the Company’s total capital. The RUB 166 mn increase in the Company’s equity in absolute terms was driven by the positive financial result for the reporting year. Revenue from electricity transmission grew RUB 4,950.1 mn year-on-year.

In 2017, the share of long-term liabilities was reduced to 36 % of the Company’s capital from 39 % in 2016. The capital structure was mainly affected by the reclassification of long-term liabilities into current liabilities and by early repayment of some liabilities. The share of current liabilities in the total liabilities in 2017 came at 16 %.

PERFORMANCE MANAGEMENT PROGRAMME

On September 1, 2017, the Company’s Board of Directors approved the Operational Efficiency and Cost Reduction Programme of IDGC of Centre (the Programme). Implementation of the Programme activities is considered in the business plan, Investment Programme, Energy Saving and Energy Efficiency Programme, Innovative Development Programme and other target programmes implemented by the Company.

The Programme performance indicators incorporate targets set up by the Strategy for Development of the Electric Grid Complex of the Russian Federation.

Between 2012 and 2017, controllable operating costs were reduced, in line with the Strategy for Development of the Electric Grid Complex of the Russian Federation, by RUB 4,842 mn, or 29.19%, against 15% target.

In line with Directive No.2303p-P13 of the Russian Government dated April 16, 2015, specific operating costs were reduced in 2017 by 7.6% year-on-year, which corresponded to the target.

7.6 %
OPEX DECLINE IN 2017

The Company took the following measures to improve its operational efficiency in the reporting year:

S.No.	Improvement areas	Measures	Financial effect, RUB mn
			2017
1	Enhancing the management efficiency relative to maintenance and repair of equipment, buildings and facilities	Automation of maintenance and repair management procedures (automated creation of a maintenance report)	0.6
2	Enhancing the working capital management	Optimisation of accounts receivable (in 2017, decrease in overdue receivables for electricity transmission services as at January 1, 2017)	2,956.6
3	Enhancing the fixed assets management	Increase in equipment performance as a result of retrofitting and reconstruction of existing production facilities and construction of new ones. Utilisation of 6(10) / 0.4 kV power transformers with lower power consumption (energy-efficient)	3.2
		30% reduction of per unit investment costs by 2017 against 2012	3,034.6
		Savings due to replacement of equipment without increase in power	84.0
		Rescheduling of retrofitting and reconstruction projects with low load level	7.1
		Rescheduling of low priority projects (related to construction and reconstruction of administrative buildings)	91.2
		Reduction in costs associated with maintenance and management of non-core assets including costs associated with the disposition of these assets	8.7
4	Enhancing the procurement and supply chains management system	Minimisation of imported equipment and material utilisation in project solutions during preparation of the terms of reference as to the automated process control system, automated electric power fiscal metering system, telecommunications and information technologies.	2.5
		Obtaining the financial effect following the results of trading and procurement procedures through rebidding	239.3
5	Introducing the modern technologies and implementing the innovations	Measures under the Innovative Development Programme	97.5
6	Optimising the Staff Incentives and Remuneration System	Creation of a unified policy for staff remuneration	737.2
		Creation of a unified policy for staff non-financial incentives	8.9
7	Enhancing the organisational and functional structure, headcount optimising	Optimisation of the administrative and management staff headcount	45.3
8	Enhancing the energy efficiency	Energy Saving and Energy Efficiency Programme (without measures of the Programme to reduce electricity losses)	7.6
		Measures of the Programme to reduce electricity losses (included in the Investment Programme of the Company)	89.9
Total			7,414.2

7,414.2

RUB MN
FINANCIAL SAVINGS FROM
THE COMPANY’S ACTIVITIES
IN 2017

¹ The company is currently in receivership.

Management of non-core assets

The Company approved the Programme for disposition of non-core assets of IDGC of Centre, PJSC (the Programme). The Programme specifies basic approaches, principles and procedures of non-core asset identification and sale, sets up criteria for attributing assets to non-core ones, the procedure of the Non-Core Asset Register keeping, approaches to non-core asset evaluation, main provisions on non-core asset disposition, as well as the procedure of reporting on processing of the Non-Core Asset Register.

The Non-Core Asset Register developed in line with the Programme requirements is updated quarterly and approved by the resolution of the Company’s Board of Directors.

4,842 RUB MN

(29.19% at target of 15%)
REDUCTION OF CONTROLLABLE
OPERATING COSTS
IN 2017 VS 2012

The Programme is approved pursuant to the Decree of the President of the Russian Federation No.596 dated May 7, 2012 “On Long-Run State Economic Policy”, Directive No.4863p-P13 of the Government of the Russian Federation dated July 7, 2016 and Decree No.894-p of the Government of the Russian Federation dated May 10, 2017 “On Approval of Methodology for Non-Core Asset Identification and Sale”, resolution of the Company’s Board of Directors dated December 28, 2016 (Minutes No.36/16 dated December 30, 2016). The new version of the Programme was approved by the Board of Directors on February 21, 2018 (Minutes No.06/18 dated February 22, 2018).

The updated Non-Core Asset Register of IDGC of Centre, PJSC as at December 31, 2017 was approved by the Board of Directors IDGC of Centre, PJSC on February 21, 2018 (Minutes No.06/18 dated February 22, 2018).

IDGC of Centre, PJSC shareholding in a core company

No.	Company name	Company operations area	Stockholding, (%)	Company revenue for 2017 (RUB thous.)
1	Energy Service Company, OJSC ¹	Lipetsk	100	-

On April 10, 2018, Energy Service Company, OJSC ceased its operations in connection to its liquidation based on the arbitration court decision concerning the completion of receivership.

IDGC of Centre, PJSC shareholding in a non-core company

No.	Company name	Company operations area	Company activities (to be specified for non-core companies)	Stockholding, (%)	Company revenue for 2017 (RUB thou.)
1	Energetik Health Resort, JSC	Tambov Region	Medical activities, including organisation and provision of health resort treatment, recreation of citizens and other associated services, among them organisation and provision of health resort treatment, recreation for children	100	77

INVESTMENTS

In 2017, IDGC of Centre, PJSC funded more than RUB 14 bn into the Investment Programme.¹ All efforts taken under the Investment Programme were in line with the targets approved by executive authorities of the regions where the Company operates.

Key indicators of Investment Programme performance

Year of performance	Spent funds	FA commissioned Intangible assets, R&D	Financing	Capacity commissioned	
	RUB mn (excl.VAT)	RUB mn excl.VAT	RUB mn (incl.VAT)	MVA	km
2015	12,973	12,758	15,184	1,228	4,785
2016	13,421	13,486	14,644	917	4,827
2017	11,756	11,823	14,198	560	4,075

The scope of capital investment spent totalled RUB 11,756 mn vs target of RUB 11,475 mn, or 102% of the target. Volume of financing was RUB 14,198 mn vs target of RUB 13,799 mn, or 103% of the target. In the reporting year, fixed and intangible assets, R&D results worth RUB 11,823 mn were commissioned vs target of RUB 11,406 mn, or 104% of the target.

In the reporting year, power transmission lines commissioned totalled 4,075 km vs target of 3,471 km, or 117% of the target. In the reporting period, transformer capacity commissioned totalled 560 MVA vs target of 480 MVA, or 117% of the target.

¹ IDGC of Centre, PJSC Investment Programme for 2017 was approved by Order No.17@ of the Ministry of Energy of the Russian Federation dated November 14, 2017 "On Approval of Amendments to the Investment Programme of IDGC of Centre, PJSC Approved by Order No.951 of the Ministry of Energy of the Russian Federation dated December 14, 2015".

PRIORITIES AND STRUCTURE OF CAPEX FINANCING

In 2017, major capital investments financing was spent on grid connection activities - 46 % of total financing.

Investments were also spent on:

- ◆ reconstruction, upgrading and retrofitting of facilities - RUB 4,449 mn incl. VAT;
- ◆ investment projects which are driven by the schemes and programmes for prospective development of the power industry - RUB 45 mn incl. VAT;
- ◆ new construction of power grid facilities - RUB 662 mn incl. VAT;
- ◆ other investment projects - RUB 2,567 mn incl. VAT.

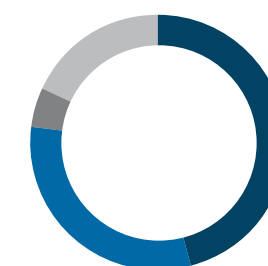
Capex financing structure, RUB mn, incl. VAT

IDGC of Centre	2015	2016	2017
Total	15,184	14,644	14,198
Grid connection	9,436	7,469	6,475
Retrofitting, upgrading and reconstruction	3,682	4,296	4,449
Investment projects which are driven by the schemes and programmes for prospective development of the power industry	-	-	45
Other new construction of grid facilities	1,105	1,396	662
Other investment projects	961	1,483	2,567



Additional information on investment activities is available in Appendix 3.7 to the Annual Report on IDGC of Centre's website

Financing structure by investment types



Grid connection	46
Retrofitting and reconstruction	31
Schemes and programmes for prospective development	0
Other new construction	5
Other projects	18

Largest projects in 2017

Reconstruction of the 35 kV Malinovka substation, transmission to 110 kV voltage and capacity increase up to 32 MVA.

Purpose – uninterrupted, reliable, and quality power supply of the Rakityansky District, Belgorod Region, and provision of new connection capacity for new consumers under signed grid connection contracts.

Investments in 2017: RUB 65.5 mn (excl. VAT).

Expansion of the 110/35/6 kV Dyatkovskaya substation: two TDTN 25000/110 transformers replaced with two TDTN 40000/110 transformers.

Purpose – elimination of grid restrictions and improvement of functional reliability of the Distribution Grid Complex due to opening of a closed main substation.

Investments in 2017: RUB 56 mn (excl. VAT).

Reconstruction of the 35/10 kV Belyanka substation: relocation of the substation on a new site.

Purpose – improvement of equipment operational reliability, OPEX reduction and provision of reliable power supply to consumers of the Shebekinsky District, Belgorod Region.

Investments in 2017: RUB 19.6 mn (excl. VAT).

INVESTMENT PROGRAMME PERFORMANCE

Decrease of equipment depreciation

In 2017, activities performed under the Investment Programme allowed reduction of the per unit failure rate by 13%, as well as decrease of the fixed asset depreciation.

Depreciation of power grid facilities¹

Asset	Wear level, %
0.4–110 kV overhead lines	75.1
0.4–110 kV cable lines	58.5
3-110 kV transformer equipment	77.4
3-110 kV switches	67.1
3-110 kV substation equipment	73.5
Total depreciation of an organisational unit	73.5

Number of contracts performed and loads connected

Number of grid connection contracts executed by IDGC of Centre							
Total				including ones with the measures taken by the grid organisation			
Total		Up to 15 kW inclusive		Total		Up to 15 kW inclusive	
q-ty	MW	q-ty	MW	q-ty	MW	q-ty	MW
42,314	865.8	40,351	433.6	22,319	593.0	20,947	243.4

Implementation of measures provided for by the Investment Programme allowed to curb the growing depreciation of the Company’s assets:

- ◆ general 0.08% decline of fixed assets depreciation level;
- ◆ 1.5% growth of the share of equipment with extended service life.

In 2017, per unit failure rate decreased by 13 % and came at 5.67 failures per 1,000 units.

¹ We assess asset depreciation based on the standard service life of facilities: 25 years for substations and cable lines; 35 years for overhead lines.

Grid connection

In 2017, IDGC of Centre executed 42,314 grid connection contracts for total capacity of 865.8 MW, including 40 351 contracts (95 %) for 433.6 MW within “Up to 15 kW” applicant category.

In 2017, 22 319 contracts for 593.0 MW capacity were executed with the measures taken by the grid organisation, including 20 947 contracts for 243.4 MW within “Up to 15 kW” applicant category. That was 94 % and 41 % in terms of quantity and connected loads, respectively.

The planned percentage of capacity utilization was 25 %. Actual load by the end of 2017 was 27 %. In 2017, share of net electricity delivery formed by power meters being a part of the data acquisition and transmission system came at 56 % from total net delivery.

Capital Construction Quality Management

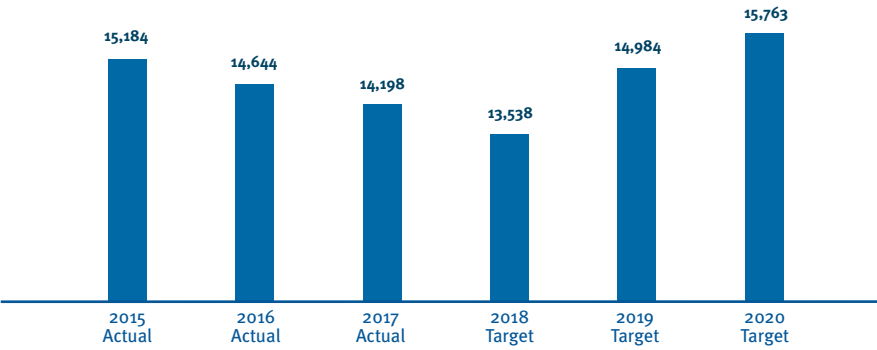
Pursuant to Decree No.468 of the Government of the Russian Federation dated June 21, 2010, the Company performs construction monitoring to check compliance of the works executed in line with requirements of design documentation, technical regulations, land plot development plan, and engineering survey results.

In 2017, independent construction monitoring covered 20 % of capital construction projects being in progress within the Company’s Investment Programme.

LONG-TERM INVESTMENT PROGRAMME

The Investment Program¹ of IDGC of Centre for 2016-2020 was approved by Order No.951 of the Ministry of Energy of the Russian Federation dated December 14, 2015.

Financing of the Long-Term Investment Programme, RUB mn



Analysis of the Investment Programme financing volumes shows their annual increase starting from 2018.

IDGC of Centre Investment Programme for 2016-2020 is developed with regard to territory development plans, power grid technical condition, significance of power supply facilities, and current economic development situation in the Russian Federation.

The decisions made in the process of development of the Investment Program comply with the goals and objectives of the Uniform Technical Policy in the Distribution Grid Complex and with the provisions of applicable laws.

¹ Amendments to the Investment Programme for 2016-2020 were approved and the planning period was extended to 2022 by order No.17@ of the Ministry of Energy of the Russian Federation dated November 14, 2017 “On Approval of Amendments to the Investment Programme of IDGC of Centre, PJSC Approved by Order No.951 of the Ministry of Energy of the Russian Federation dated December 14, 2015”.

APPENDICES



**RSM RUS**

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22.02.2018

№ RSM-1360

INDEPENDENT AUDITOR'S REPORT

To: the Shareholders of Interregional Distribution Grid Company of Centre, Public Joint Stock Company (IDGC of Centre, PJSC)

Opinion

We have audited the accounting statements of IDGC of Centre, PJSC (hereinafter - the Company), which comprise the statement of financial position as at 31 December 2017, the profit and loss statement, the statement of changes in equity, the cash flow statement for the year then ended, as well as the notes to the accounting balance sheet and P&L statement, including a summary of significant accounting policies.

In our opinion, the accompanying accounting statements present fairly, in all material respects, the accounting position of the Company as at 31 December 2017, and its accounting performance and its cash flows for the year then ended in accordance with the Russian Federation accounting statements preparation rules.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Accounting Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the accounting statements in Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the accounting statements of the current period. These matters were addressed in the context of our audit of the accounting statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

RSM RUS is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and advisory firm each of which practices in its own right. The RSM network is not itself a separate legal entity of any jurisdiction.

Impairment of accounts receivable

In our opinion, this matter was one of most significance in our audit due to significant balances of IDGC of Centre's accounts receivable as at 31 December 2017. The management estimate of collectability of the receivables is hard to perform, to a large extent, subjective and based on the assumptions, in particular, forecasting financial solvency of the Company's customers.

We have performed procedures of evaluation of the adequacy of the Company's policy on reviewing accounts receivable and determining if accounts receivables impairment allowance should be established, as well as procedures of confirming the reasonableness of the estimates made by the management of the Company, including review of accounts receivable payments, review of maturity dates and overdue debts, review of customers' financial solvency.

Our audit procedures included: testing of controls on the process of repayment of receivables; testing of receipt of cash after the reporting date; testing the reasonableness of calculating the allowance for doubtful debts, taking into account the information available from external sources on the degree of credit risk in respect of accounts receivable, and also using our own understanding of the size of doubtful accounts receivable as a whole for the industry.

We have also evaluated the adequacy of the disclosures made by the Company about the extent to which valuation judgments were used in calculating the allowance for doubtful debts.

Information on the accrued allowance for doubtful debts is disclosed in Sec. 5.6.2 of the Notes to the accounting statements.

Recognition and measurement of revenue

Recognition and measurement of revenue were matters of most significance in our audit due to certain imperfection of mechanisms of operation of retail electricity market and it leads to disagreements between electric grid companies and energy supply companies in respect of volume of electricity consumption and capacity. The assessment by IDGC of Centre's management of favorable outcome of the dispute resolution is, to a large extent, subjective and is based on the assumptions of dispute resolution.

We evaluated the internal control over revenue recognition, reviewed the accuracy of determined revenue amounts based on concluded contracts for electricity resale, electricity transmission and other work (services), on a sample basis obtained confirmations of accounts receivable balances from the counterparties, reviewed and evaluated existing procedures for confirming the volume of electricity transmitted and outcomes of litigations in respect of disputed amounts for the provided services, and also performed other procedures to obtain sufficient and appropriate audit evidence, in order to confirm the accuracy, in all material respects, of the amounts of revenues recognized in the accounting statements.

Revenue is disclosed in Sec. 5.6.4 of the Notes to the accounting statements.

Recognition, measurement and disclosure of provisions and contingent liabilities

Recognition, measurement and disclosure of provisions and contingent liabilities in respect of litigations and claims of counterparties (including territorial electric grid companies and energy supply companies) were matters of most significance in our audit because they require a lot of management judgments in respect of significant amounts in dispute in the course of litigations and claim settlements.

The audit procedures included review of court rulings made by courts of different levels, review of adequacy of management judgments and documents confirming the assessment of possibility of outflow of economic resources following dispute resolutions, conformity of the prepared documentation with the existing contracts and compliance with the law.

Accrued provisions and contingent liabilities of the Company are disclosed in Sec. 5.7.1 of the Notes to the accounting statements.

Other information

Management is responsible for other information. Other information includes information contained in the annual report of IDGC of Centre for 2017 and the quarterly report of the issuer of IDGC of Centre for the 1st quarter of 2018, but does not include financial statements and our audit report on it. The annual report of IDGC of Centre for 2017 and the quarterly report of the issuer for the 1st quarter of 2018 are expected to be provided after the date of this audit report.

Our opinion on the financial statements does not apply to other information, and we do not provide a conclusion that provides in any form confidence in this information.

If, upon acquaintance with the report of IDGC of Centre for 2017 or the quarterly report of the issuer of IDGC of Centre for the 1st quarter of 2018, we come to the conclusion that they contain significant distortions, we will have to report this fact to the persons, responsible for corporate governance.

Responsibilities of Management and the Audit Committee of the Board of Directors for the Accounting Statements

Management is responsible for the preparation and fair presentation of the accounting statements in accordance with the Russian Federation accounting statements preparation rules, and for such internal control as management determines is necessary to enable the preparation of accounting statements that are free from material misstatement, whether due to fraud or error.

In preparing the accounting statement, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Audit Committee of the Board of Directors is responsible for overseeing the preparation of the accounting statements of IDGC of Centre.

Auditor's Responsibilities for the Audit of the Accounting Statements

Our objectives are to obtain reasonable assurance about whether the accounting statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these accounting statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the accounting statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the accounting statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the accounting statements, including the disclosures, and whether the accounting statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee of the Board of Directors of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee of the Board of Directors of the Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee of the Board of Directors of the Company, we determine those matters that were of most significance in the audit of the accounting statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Management Board Chairperson

Audit Certificate No. 05-000015. Issued following Resolution of self-regulatory organization Not-for-Profit Partnership "Russian Collegium of Auditors" dated 15 November 2011 No. 24 Permanent award.

ORNZ in the Register of auditors and audit organizations - 21706004215

N.A. Dantser

Manager responsible for the audit

Audit Certificate No.906-000394. Issued following Resolution of self-regulatory organization Not-for-Profit Partnership "Auditing Association Sodruzhestvo" dated 20.04.2017 No. 311 Permanent award.

ORNZ in the Register of auditors and audit organizations - 21706077835

A.S. Sumina

Audited entity:

Interregional Distribution Grid Company of Centre, Public Joint Stock Company

(abbreviated name IDGC of Centre, PJSC).

Location: 4, 2nd Yamskaya street, Moscow, 127018, Russia;

Primary state registration number -1046900099498

Auditor:

RSM RUS Ltd.

Location: 4, Pudovkina Str., Moscow, 119285;

Tel.: (495) 363-28-48; Fax: (495) 981-41-21;

Primary state registration number - 1027700257540;

RSM RUS Ltd. is a member of Self-regulatory organization of auditors Association "Sodruzhestvo" (membership certificate # 6938, ORNZ 11306030308), location: 21, Michurinsky Ave., bldg. 4, Moscow, 119192.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Codes	
	Form under ARCMD	0710001
	Date (year, month, day)	31 12 2017
Company: IDGC of Centre, PJSC	under ARCBO	75720657
Id. tax payer number	TIN	6901067107
Type of activity: Electric power transmission	under ADCEA	35.12
Business legal structure/Form of ownership: PJSC/hybrid	under ARCFI\ARCFO	12247 41
Measurement unit: thousand RUB	under ARCM	384

Notes	Indicator	Line code	As at 31 December 2017. (1)	As at 31 December 2016. (2)	As at 31 December 2015. (3)
	ASSETS				
	I. NON-CURRENT ASSETS				
5.1.1.–5.2.2.	Intangible assets	1110	46 622	19 935	27 142
5.2.2.	including pending transactions to acquire intangible assets	1111			
5.2.1.–5.2.2.	R&D results	1120	89 397	91 494	96 233
5.2.2.	including expenses for R&D in progress	1121	21 255	29 947	43 911
	Intangible exploratory assets	1130	–	–	–
	Tangible exploratory assets	1140	–	–	–
5.3.1.–5.3.6.	Fixed assets	1150	99 672 180	98 424 983	94 798 310
	land plots and environmental facilities	1151	291 671	291 405	290 990
	buildings, machinery and equipment, constructions	1152	92 684 212	92 037 491	88 991 356
	other types of fixed assets	1153	2 751 666	2 170 430	1 596 766
5.3.5.	construction in progress	1154	3 391 575	3 443 262	3 582 067
5.3.6.	advances made for capital construction and acquisition of fixed assets	1155	35 107	847	2 782
	raw materials for use in the creation of fixed assets*	1156	517 949	481 548	334 349
5.3.1.	Profitable investments in tangible assets	1160	–	–	–
	property for leasing	1161	–	–	–
	property on tenancy contract basis	1162	–	–	–
5.4.1.–5.4.3.	Financial investments	1170	205 300	228 536	254 724
	investments in subsidiaries	1171	15 355	15 355	15 355
	investments in affiliates	1172	–	–	–
	investments in other companies	1173	189 945	213 181	234 369
	loans granted to companies for more than 12 months period	1174	–	–	5 000
	financial investments	1175	–	–	–
5.7.2.	Deferred tax assets	1180	1 200 078	1 505 129	1 196 220
	Other non-current assets	1190	1 981 363	1 996 577	1 212 961
	including: Machinery and equipment, structures and transfer devices under the concession agreement	1191	895 041	944 420	491 163
	TOTAL for section I	1100	103 194 940	102 266 654	97 585 590

Notes	Indicator	Line code	As at 31 December 2017. (1)	As at 31 December 2016. (2)	As at 31 December 2015. (3)
	II. CURRENT ASSETS	1210			
5.5.1–5.5.2.	Supplies		2 112 386	2 087 286	2 001 636
	raw material, materials and other analogous values	1211	2 112 386	2 087 247	2 001 636
	construction in progress costs	1212	–	–	–
	finished products and goods for resale	1213	–	–	–
	shipped goods	1214	–	39	–
	other supplies and expenses	1215	–	–	–
	Value added tax according to purchased valuables	1220	8 475	23 059	36 514
5.6.1.–5.6.4.	Accounts receivable	1230	12 361 739	15 175 766	17 748 969
	Payments on which are expected more than 12 months after accounting date	1231	1 111 849	257 605	27 359
	buyers and customers	123101	907 221	27 799	20 248
	bills receivable	123102	–	–	–
	advances made	123103	3 276	3 493	3 250
	other accounts receivable	123104	201 352	226 313	3 861
	Payments on which are expected within 12 months after accounting date	1232	11 249 890	14 918 161	17 721 610
	buyers and customers	123201	10 270 268	12 650 349	15 375 387
	bills receivable	123202	–	–	–
	debts of subsidiaries and affiliates on dividends	123203	–	–	–
	debts of participators (founders) according to contributions in the authorised capital	123204	–	–	–
	advances made	123205	127 725	113 604	116 679
	other accounts receivable	123206	851 897	2 154 208	2 229 544
5.4.1–5.4.3.	Financial investments (excluding money equivalents)	1240	–	5 000	–
	loans granted to organisations for less than 12 months period	1241	–	5 000	–
	other short-term financial investments	1242	–	–	–
F.4	Monetary funds and money equivalents	1250	1 358 698	2 552 560	105 596
	cashier's desk	1251		–	–
	settlement accounts	1252	1 342 775	222 011	67 341
	foreign exchange accounts	1253	–	–	–
	other monetary funds	1254	15 923	2 330 549	38 255
	Other currents assets	1260	629 811	552 218	390 809
	TOTAL for section II	1200	16 471 109	20 395 889	20 283 524
	BALANCE	1600	119 666 049	122 662 543	117 869 114
	III. CAPITAL AND RESERVES				
3.1.	Share capital (joint-stock capital, authorised capital, limited partner contributions)	1310	4 221 794	4 221 794	4 221 794
3.1.	Capital (prior to registered changes)	1311	–	–	–
3.1.	Own shares repurchased from shareholders	1320	–	–	–
5.3.1.,5.1.1.	Revaluation of non-current assets	1340	–	–	–
3.1.	Additional capital (without revaluation)	1350	33 269 936	33 269 936	33 269 936
3.1.	Reserve capital	1360	211 090	211 090	211 090
3.1.	Retained profit (uncovered loss)	1370	20 194 226	20 028 775	18 610 139
	of previous years	1371	18 162 837	18 162 100	17 701 152
	of the reporting period	1372	2 031 389	1 866 675	908 987
	TOTAL for section III	1300	57 897 046	57 731 595	56 312 959

Notes	Indicator	Line code	As at 31 December 2017. (1)	As at 31 December 2016. (2)	As at 31 December 2015. (3)
	IV. LONG-TERM LIABILITIES	1410			
5.6.7.–5.6.8.	Loans and credits		34 000 000	39 305 000	40 455 000
	bank credits subject to payment more than within 12 months after the reporting date	1411	24 000 000	19 305 000	25 455 000
	loans subject to payment more than within 12 monthsafter the reporting date	1412	10 000 000	20 000 000	15 000 000
5.7.2.	Deferred tax liabilities	1420	7 968 308	7 747 838	7 522 936
5.7.1.	Estimated liabilities	1430	–	–	–
5.6.5.–5.6.6.	Other liabilities	1450	923 355	1 042 019	380 688
	TOTAL for section IV	1400	42 891 663	48 094 857	48 358 624
	V. SHORT-TERM LIABILITIES	1510			
5.6.7.–5.6.8.	Loans and credits		7 491 031	3 987 585	1 676 505
	bank credits subject to payment within 12 months after the reporting date	1511	2 213 131	3 651 185	1 512 055
	loans subject to payment within 12 months after the reporting date	1512	5 277 900	336 400	164 450
5.6.5.–5.6.6.	Accounts payable	1520	9 759 815	10 991 556	9 790 711
	suppliers and contractors	1521	4 572 165	5 708 787	4 908 287
	bills payable	1522	–	–	–
	debt to personnel relating to labour payment	1523	651 768	612 841	4 266
	debt to governmental extra-budgetary funds	1524	373 731	444 082	419 797
	taxes and levies payable	1525	1 685 883	1 760 671	1 063 095
	advances received	1526	2 049 879	1 771 968	2 040 720
	debts to participators (founders) according to income payment	1527	39 896	15 971	16 880
	other accounts payable	1528	386 493	677 236	1 337 666
	Deferred income	1530	18 293	16 826	150
5.7.1.	Estimated liabilities	1540	1 608 201	1 840 124	1 730 165
	Other liabilities	1550	–	–	–
	TOTAL for section V	1500	18 877 340	16 836 091	13 197 531
	BALANCE	1700	119 666 049	122 662 543	117 869 114

22 February 2018

General Director

O.Y. Isaev

Chief Accountant

L.A. Sklyarova

PROFIT AND LOSS STATEMENT for January-December 2017

Codes		
	Form under ARCMD	0710001
	Date (year, month, day)	31 12 2017
Company: IDGC of Centre, PJSC	under ARCBO	75720657
Id. tax payer number	TIN	6901067107
Type of activity: Electric power transmission	under ADCEA	35.12
Business legal structure/Form of ownership: PJSC/hybrid	under ARCF\ARCFO	12247 41
Measurement unit: thousand RUB	under ARCM	384

Notes	Indicator	Code	For January-December 2017 (1)	For January-December 2016 (2)
	Revenue	2110	91 060 447	86 110 259
	including			
	revenue from electricity transmission	2111	87 622 881	83 590 448
	revenue from grid connection	2112	1 591 236	1 411 278
	revenue from functioning organisation and development of UES of Russia in terms of electric distribution grid	2113	–	–
	revenue from resale of electric energy and power	2114	548 354	51 628
	income from participation in other organisations	2115	–	–
	lease income	2116	44 868	51 297
	revenue from sale of other goods, products, works, services of industrial nature	2117	1 253 108	1 005 608
	revenue from sale of other goods, products, works, services of non-industrial nature	2118	–	–
2.1.	Cost of sales	2120	(79 023 060)	(73 492 354)
	including			
	electricity transmission	2121	(77 815 609)	(72 517 240)
	grid connection	2122	(324 468)	(383 763)
	functioning organisation and development of UES of Russia in terms of electric distribution grid	2123	–	–
	resale of electric energy and power	2124	(276 964)	(27 059)
	participation in other organisations	2125	–	–
	lease	2126	(9 561)	(7 537)
	other goods, products, works, services of industrial nature	2127	(596 458)	(556 755)
	other goods, products, works, services of non-industrial nature	2128	–	–
	Gross profit (loss)	2100	12 037 387	12 617 905

Notes	Indicator	Code	For January-December 2017 (1)	For January-December 2016 (2)
2.1.	Commercial expenses	2210	(20 226)	(621)
2.1.	Management expenses	2220	(2 173 302)	(2 052 695)
	Profit (loss) from sales	2200	9 843 859	10 564 589
	Profit from participation in other organisations	2310	21 607	12 889
	Interest receivable	2320	366 782	250 713
	Interest payable	2330	(4 046 412)	(4 507 705)
5.11.	Other profit	2340	4 338 824	3 690 938
5.11.	Other expenses	2350	(5 947 057)	(7 502 224)
	Profit (loss) before taxation	2300	4 577 603	2 509 200
2.3.	Current profit tax	2410	(1 340 807)	(1 156 049)
2.3.	including constant tax liabilities (assets)	2421	891 610	772 193
2.3.	Change in deferred tax liabilities	2430	(297 069)	(496 797)
2.3.	Change in deferred tax assets	2450	(169 255)	378 813
2.3.	Other	2460	(739 083)	631 508
	Net profit (loss)	2400	2 031 389	1 866 675
FOR REFERENCE				
«5.1.1. 5.3.1.»	Result from the revaluation of fixed assets, not included in net income (loss) for the period	2510	–	–
3.2.	Result from other transactions not included in net income (loss) for the period	2520	–	–
	Aggregate financial result of the period	2500	2 031 389	1 866 675
2.2.	Basic earnings (loss) per share	2900	0,0000481	0,0000442
2.2.	Diluted earnings (loss) per share	2910	–	–

(1) – specifies the reporting date of the accounting period
(2) – specifies the period of the previous year, the same accounting period

22 February 2018

General Director

O.Y. Isaev

Chief Accountant

L.A. Sklyarova



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15.03.2018
~ Pelli - 1926

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Interregional Distribution Grid Company of Centre, Public Joint Stock Company (PJSC "IDGC of Centre")

Opinion

We have audited the consolidated financial statements of **PJSC IDGC of Centre** and its subsidiaries (the Group), which comprise the Consolidated Statement of Financial Position as of 31 December 2017, and the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of non-current assets

In our opinion, this matter was one of most significance in our audit due to a significant share of property, plant and equipment in total assets of the Group, high level of subjectivity of assumptions used to determine a value in use of property, plant and equipment as well as materiality of judgments and estimates made by the management.

The majority of the Group's property, plant and equipment is specialized in nature and is rarely sold on the open market other than as part of a continuing business. The market for similar property, plant and equipment is not active in the Russian Federation and does not provide a sufficient number of sales transactions for use of a market-based approach for determination of the fair value of the property, plant and equipment.

Therefore, the value in use for property, plant and equipment as at 31 December 2017 was determined using projected cash flows method. This method considers the future net cash flows expected to be generated through the usage of property, plant and equipment during the operating activities and upon disposal, to determine the recoverable amount of these assets.

We have performed procedures of analysis and testing of the model used in making the estimates, assessment of adequacy of assumptions underlying the estimates, including assumptions in respect of projected revenue, tariffs solutions, discount rates etc.

We have also reviewed the relevant controls in respect of the estimates, consideration by management of estimation uncertainty and changes in approaches as compared to the previous period. We have reviewed the actual outcomes of the use of the model to obtain sufficient and appropriate audit evidence about whether the management in making the estimates complied with IFRS requirements, the methods used in estimates of tests are appropriate and are applied consistently and the changes in estimates are reasonable based on information available at the date of preparation of the accounts.

For testing the model of estimate and underlying assumptions, we have engaged an expert in accordance with the procedure established by ISA.

We have evaluated the accuracy and sufficiency of disclosures to the consolidated financial statements of information about determination of the value of property, plant and equipment, including information about uncertainties taken into consideration when making impairment test estimates.

Non-current assets are disclosed in Notes 2, 13 and 14 to the consolidated financial statements.

Impairment of accounts receivable

In our opinion, this matter was one of most significance in our audit due to significant balances of the Group's accounts receivable as at 31 December 2017, and because the management estimates of collectability of the receivables is based on the assumptions, in particular, forecasting financial solvency of the Group's customers.

We have performed procedures of evaluation of the adequacy of the Group's policy on reviewing accounts receivable and determining if accounts receivables impairment allowance should be established, as well as procedures of confirming the reasonableness of the estimates made by the management of the Group, including review of accounts receivable payments, review of maturity dates and overdue debts, review of customers' financial solvency.

We performed audit procedures in respect of information used by the Group to determine the impairment of accounts receivable, accounts receivable ageing structure, tested the accuracy of accrued accounts receivables impairment allowance based on the estimates documented by the management.

Accrued accounts receivables impairment allowance is disclosed by the Group in Notes 2, 9, 18 and 27 to the consolidated financial statements.

Recognition and measurement of revenue

Recognition and measurement of revenue were matters of most significance in our audit due to certain imperfection of mechanisms of operation of retail electricity market and it leads to disagreements between electric grid companies and energy supply companies in respect of volume of electricity consumption and capacity. The assessment by the Group's management of favorable outcome of the dispute resolution is, to a large extent, subjective and is based on the assumptions of dispute resolution.

We evaluated the internal control over revenue recognition, reviewed the accuracy of determined revenue amounts based on concluded contracts for electricity transmission and other work (services), on a sample basis obtained confirmations of accounts receivable balances from the counterparties, reviewed and evaluated existing procedures for confirming the volume of electricity transmitted and outcomes of litigations in respect of disputed amounts for the provided services, and also performed other procedures to obtain sufficient and appropriate audit evidence, in order to confirm the accuracy, in all material respects, of the amounts of revenues recognized in the consolidated financial statements.

Revenue is disclosed in Note 7 to the consolidated financial statements.

Recognition, measurement and disclosure of provisions and contingent liabilities

Recognition, measurement and disclosure of provisions and contingent liabilities in respect of litigations and claims of counterparties (including territorial electric grid companies and energy supply companies) were

matters of most significance in our audit because they require a lot of management judgments in respect of significant amounts in dispute in the course of litigations and claim settlements.

The audit procedures included review of court rulings made by courts of different levels, review of adequacy of management judgments and documents confirming the assessment of possibility of outflow of economic resources following dispute resolutions, conformity of the prepared documentation with the existing contracts and compliance with the law.

Provisions and contingent liabilities of the Group are disclosed in Notes 26 and 30 to the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report of PJSC IDGC of Centre for 2017 and the quarterly report of the issuer PJSC IDGC of Centre for the 1st quarter of 2018, but does not include the consolidated financial statements and our auditor's report thereon. The annual report of PJSC IDGC of Centre for 2017 and the quarterly report of the issuer for the 1st quarter of 2018 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

When we are acquainted with the annual report of PJSC IDGC of Centre for 2017 or the quarterly report of the issuer PJSC IDGC of Centre for the 1st quarter of 2018, if we conclude that there are material misstatements therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and the Audit Committee of the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee of the Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee of the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee of the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with the Audit Committee of the

Board of Directors all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee of the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Management Board Chairperson

Audit Certificate No. 05-000015. Issued following Resolution of self-regulatory organization Not-for-Profit Partnership "Russian Collegium of Auditors" dated 15 November 2011 No. 24. Permanent award.

ORNZ in the Register of auditors and audit organizations – 21706004215

Engagement Leader on the audit resulting in this independent auditor's report

Audit Certificate No. 05-000086. Issued following Resolution of self-regulatory organization Not-for-Profit Partnership "Russian Collegium of Auditors" dated 14 February 2012 No.4. Permanent award.

ORNZ in the Register of auditors and audit organizations – 21706002832



N.A. Dantser

E.A. Gareeva

Audited entity:

Interregional Distribution Grid Company of Centre, Public Joint Stock Company (abbreviated name - **PJSC IDGC of Centre**);

Location: 4, 2nd Yamskaya street, Moscow, 127018, the Russian Federation;
Primary state registration number – 1046900099498.

Auditor:

RSM RUS Ltd.

Location: 4, Pudovkina St., Moscow, 119285;

Tel.: (495) 363-28-48; Fax: (495) 981-41-21;

Primary state registration number – 1027700257540;

RSM RUS Ltd. is a member of Self-regulatory organization of auditors Association "Sodruzhestvo" (membership certificate # 6938, ORNZ 11306030308), location: 21, Michurinsky Ave., bldg. 4, Moscow, 119192.

PJSC «IDGC of Centre» and its subsidiaries Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2017

(in thousands of Russian rubles, unless otherwise stated)

		Year ended	Year ended
	Notes	31 December 2017	31 December 2016
Revenue	7	91,115,571	86,294,863
Operating expenses	9	(83,292,307)	(78,752,167)
Other income, net	8	1,322,268	1,702,420
Result from operating activities		9,145,532	9,245,116
Finance income	11	442,309	297,035
Finance costs	11	(4,227,271)	(4,793,264)
Net finance costs		(3,784,962)	(4,496,229)
Profit before income tax		5,360,570	4,748,887
Income tax (expense)/benefit	12	(2,337,773)	13,406
PROFIT FOR THE YEAR		3,022,797	4,762,293
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net change in fair value of available-for-sale financial assets	15	(23,235)	(19,904)
Income tax related to items that may be reclassified subsequently to profit or loss	16	4,647	3,981
Total items that may be reclassified subsequently to profit or loss		(18,588)	(15,923)
Items that will never be reclassified subsequently to profit or loss			
Remeasurements of the defined benefit liability	24	(246,845)	71,659
Income tax related to items that will never be reclassified subsequently to profit or loss	16	28,476	(2,603)
Total items that will not be reclassified subsequently to profit or loss		(218,369)	69,056
Other comprehensive income for the year, net of income tax		(236,957)	53,133
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,785,840	4,815,426
Profit attributable to:			
Equity holders of the Company		2,978,754	4,723,758
Non-controlling interests		44,043	38,535
Total comprehensive income attributable to:			
Equity holders of the Company		2,741,797	4,776,891
Non-controlling interests		44,043	38,535
Earnings per share			
Basic and diluted earnings per ordinary share (in RUB)	21	0.071	0.112

These consolidated financial statements were approved by management on 15 March 2018 and were signed on its behalf by:

General Director

O.Y. Isaev



Chief Accountant

L.A. Sklyarova

PJSC «IDGC of Centre» and its subsidiaries Consolidated Statement of Financial Position as at 31 December 2017

(in thousands of Russian rubles, unless otherwise stated)

	Notes.	31 December 2017	31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	13	85,721,289	83,790,818
Intangible assets	14	2,380,170	2,345,282
Trade and other receivables	18	1,037,558	166,251
Assets related to employee benefits plans	24	541,679	500,305
Financial investments	15	189,945	213,181
Total non-current assets		89,870,641	87,015,837
Current assets			
Inventories	17	2,128,986	2,099,699
Income tax prepayments		421,709	1,382,137
Trade and other receivables	18	11,295,073	13,977,188
Cash and cash equivalents	19	1,362,307	2,567,305
Total current assets		15,208,075	20,026,329
TOTAL ASSETS		105,078,716	107,042,166
EQUITY AND LIABILITIES			
Equity			
Share capital	20	4,221,794	4,221,794
Other reserves		(318,735)	(81,778)
Retained earnings		40,060,231	38,947,905
Total equity attributable to equity holders of the Company		43,963,290	43,087,921
Non-controlling interest		199,225	165,809
Total equity		44,162,515	43,253,730
Non-current liabilities			
Loans and borrowings	22	33,989,210	39,282,692
Trade and other payables	25	923,355	1,035,516
Employee benefits	24	2,432,135	2,202,613
Deferred tax liabilities	16	4,680,085	4,420,822
Total non-current liabilities		42,024,785	46,941,643
Current liabilities			
Loans and borrowings	22	7,491,456	3,995,795
Trade and other payables	25	10,828,220	11,822,357
Provisions	26	487,743	1,026,203
Current income tax liabilities		83,997	2,438
Total current liabilities		18,891,416	16,846,793
Total liabilities		60,916,201	63,788,436
TOTAL EQUITY AND LIABILITIES		105,078,716	107,042,166

LIST OF ABBREVIATIONS

ABBREVIATIONS

ADCS	Automated Dispatch Control System
APCS	Automated Process Control Systems
CC	Call Centre
CGC	Corporate Governance Code recommended by the Bank of Russia
CRMIS	Corporate Resource Management Information System
DATS	Data Acquisition and Transmission System
DATU	Data Acquisition and Transmission Unit
DDCC	District Dispatch Control Center
DGC	Distribution Grid Company
DP	Distributing Point
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
EnMS	Energy Management System
EOC	Emergency Operations Centre
EPS	Earnings per Share (absolute mesure)
EV	Enterprise Value is a measure of a company's total value, taking into account all sources of funding: debt, ordinary and preferred shares, and minority interest.
FGS	Federal Grid Company
FOCL	Fibre-Optic Communication Line
Free float	Percentage of the Company's shares that can be publicly traded, i.e. are not held by the controlling shareholder or strategic shareholders
FTS	Federal Tariff Service
FZ	Federal Law
GC	Grid connection

GCC	Grid Control Centre
HV	High Voltage (110 kV)
ICS	Internal Control System
ICS&RM	Internal Control and Risk Management System
IFRS	International Financial Reporting Standards
IR	Investor Relations The Company's activities to promote effective interaction between the Company and its shareholders and investors, as well as with other stakeholders that may have an effect on the market value of the Company, focused on providing most accurate and reliable information about the current state of the Company and its outlook
IT	Information Technologies
ITT	Information Technologies and Telecommunications
KPI	Key Performance Indicators
LACP	The League of American Communications Professionals
LAN	Local Area Network
LLC	Limited Liability Company
M&R	Maintenance and Repairs
MUE	Municipal Unitary Enterprise
NC&E	New Construction and Expansion
NRCG	National Rating of Corporate Governance
OGRN	Primary State Registration Number
OJSC	Open Joint Stock Company
OL	Overhead Line
P/E	Price to Earnings ratio - Relative measure of the share's yield (Price to Earnings ratio)
PAMS	Production Asset Management System
PCB	Polychlorinated Biphenyl
PIT	Personal Income Tax
PTL	Power Transmission Line
QMS	Quality Management System

R&D Research and Development

RAB
Regulatory Asset Base - A methodology ensuring return on invested capital. The key principle of the methodology is to provide for payback of investments into the Company's assets within a fixed period, and for a fixed return on such investments

RAS Russian Accounting Standards

RCI Regulated Company Index

REC Regional Energy Commission

RGR Required Gross Revenue

ROE
Return on Equity - Amount of the Company's net income returned as a percentage of shareholders' equity.

ROTA Return on total assets

RPA Relay Protection and Automatics

RPG Region of Power Grids

RSPS Reserve sources of Power Supply

S&A Subsidiaries and Affiliates

SAIDI
System Average Interruption Duration Index - The index of reliability of power supply; serves to measure the average time during which consumers are not served

SAIFI
System Average Interruption Frequency Index - The power supply reliability index, serves to estimate the number of service outages for consumers

SCADA Supervisory Control and Data Acquisition system

SME Small and Medium-Sized Enterprises

SS
Substation - An electric facility through which electric energy is passed for transformation, transmission and distribution

STD Standard Technical Documents

TBS Tariff Balance Solutions

TGO Territorial Grid Organisation

TSR
Total Shareholder Returns - a measure of the rate of return of shareholders as a result of changes in stock prices and the accrued dividends

TTS Telemetry and Telecommand System

UNPG Unified National Power Grid of Russia

VAT Value-Added Tax

VMI Voluntary Medical Insurance

UNITS

bn billion

km kilometre

kWh kilowatt-hour a unit of energy generated or expended

l litre

mn million

MVA megavolt-ampere Unit of apparent power

MW megawatt a unit of electrical power

p.p. percentage point

pcs pieces

RUB Russian rouble

t tonne

tce tonne of coal equivalent

thous. thousand

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Licence of the Bank of Russia to maintain a register of securities holders No. 045–13970–000001 issued on 21 February 2008 with no expiry date

Depository

Non-Banking Credit Organisation Joint-Stock Company “National Settlement Depository” (NSD)

12 Spartakovskaya St., Moscow, 105066, Russia

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Licence

Licence of the Federal Financial Markets Service of Russia to maintain register No. 177-12042-000100, issued on 19 February 2009 with no expiry date