ROSSETI

IDGC OF CENTRE

MORE THAN ENERGY

2015

ANNUAL REPORT

INVESTMENT VERSION

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License: Licence of the Federal Service for Financial Markets at the activity to register, number 10-000-1-00330 issued on December 16, 2004, without expiration date.

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Depository

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Licence: Licence of the Federal Service for Financial Markets at the activity to register, number 177-12042-000100 issued on February 19, 2009, without expiration date.

IDGC OF CENTRE, PJSC

IDGC of Centre, PJSC (hereinafter, the Company) is a Russian power grid company that supplies electricity and connects new consumers to power grids. The Executive Body is located in Moscow. The Company's branches operate in the cities of Belgorod, Bryansk, Voronezh, Kursk, Kostroma, Lipetsk, Orel, Smolensk, Tambov, Tver, and Yaroslavl.

Among the Company's customers are large industrial companies, transport and agriculture enterprises, socially important facilities, as well as guaranteed electricity suppliers.

SCOPE OF THE REPORT

The Annual Report, including financial and economic indicators based on the RAS financial statements, contains data on IDGC of Centre operations.

The Annual Report contains information on the Company's 2015 operating results as of the date of the Report. Data from 2013 and 2014 is provided to monitor the changes in indicators.

All information about the members of the management and supervision bodies of the Company, members of the Board of Directors' committees and the Corporate Secretary, and the amount of their remuneration, is given in this Report to meet the requirements of Russian legislation on personal data.

DISCLAIMER

The Annual Report contains the information on the Company's 2015 operating results and forecast indicators, statements of intent, opinions or current expectations pertaining to operating results, financial standing, liquidity, growth prospects, strategies, as well as growth in the industry where IDGC of Centre operates. Certain risks and uncertainties are inherent to such forecasts, since they are related to and depend on events and circumstances that may or may not occur in the future.

Words such as 'intends', 'aims', 'expects', 'assesses', 'plans', 'considers', 'assumes', 'may', 'should', 'will', 'continues' and other such expressions generally mean that the statement is a forecast and thus entails the risk that the said events and actions may or may not occur, as a result of various factors.

The Company forewarns that such forecasts do not constitute a guarantee of future indicators. The Company's actual operating results, its financial position and liquidity, and the growth of the industry where it operates, may significantly differ from the forecasts in this document. Furthermore, should the above indicators correspond to the forecasts made in this Report, such results and events do not imply that similar results and events will occur in the future.

The Company provides no explicit or implied assurances or guarantees and shall bear no liability, in case that any individuals or legal entities incur any losses resulting from the use of the forecasts of this Annual Report for any reason, directly or indirectly. These individuals and legal entities should not fully rely on the forecasts in this document, since they do not represent the only possible future scenario.

Except for the cases stipulated by the law of the Russian Federation, the Company assumes no obligations to review or confirm expectations or estimates, or to publish updated and adjusted forecasts presented in this Annual Report due to subsequent events or the receipt of new information.

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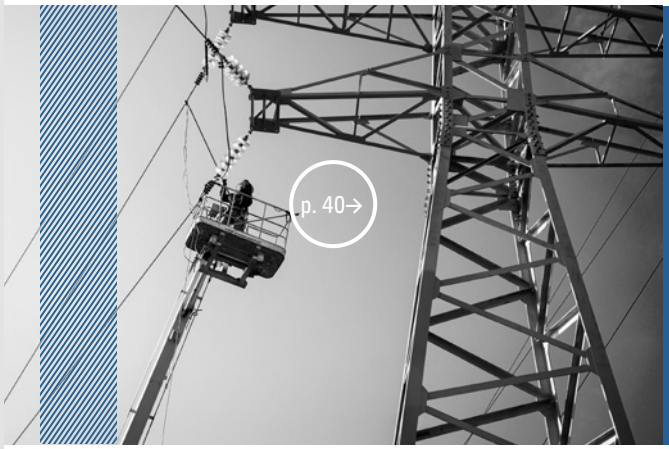
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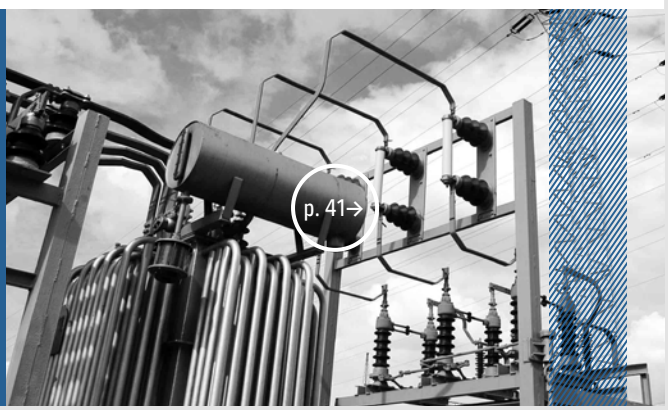
USING THE DIGITAL TECHNOLOGIES WITH APPLICATION OF IEC 61850

The project of automation of the substation 110/10 kV "Yartsevo–2", including relay protection and automation equipment, data collection and exchange systems which comply with IEC 61850 "Communication Networks and Systems in Substations", was completed at the Smolenskenergo branch.

RECONSTRUCTION AND AUTOMATION OF THE 35 KV GRIDS USING SIMPLIFIED TECHNICAL SOLUTIONS BASED ON STANDALONE COMMUTATION DEVICES (RECLOSERS) 35 KV

In 2015, the Company successfully implemented several projects for the installation of 35 kV switching devices (reclosers) at overhead lines and substations.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TRAINING CENTRE ON THE BASIS OF THE ENERGY COLLEGE – NATIONAL RESEARCH UNIVERSITY "MPEI" BRANCH IN THE CITY OF KONAKOVO

The creation of the training centre (laboratory) became the next step in implementing the preparation plan for specialists under the Cooperation Agreement between IDGC of Centre and National Research University "MPEI".

04 Financial analysis

05 Corporate governance

News

Appendices

CREATING 6-10/0.4 KV POWER GRIDS WITH THE APPLICATION OF A POLE-MOUNTED TRANSFORMER SUBSTATION

In 2015, IDGC of Centre adopted the Guidelines on creating 0.4–10 kV power grids using the pole-mounted 6–10/0.4 kV transformer substations.


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COMPANY HISTORY

17.12.2004

IDGC of Centre and North Caucasus, JSC was incorporated as a target company for the interregional integration of distribution grid facilities. The participatory interest of JSC RAO UES of Russia in the Company's share capital is 100%.

2006

The 110 kV Severnaya substation was put into operation in Belgorod.

2007

The final Company structure was approved. This structure is comprised of 11 regional grid companies (hereinafter referred to as RGCs): JSC Belgorodenergo, JSC Bryanskenergo, JSC Voronezhenergo, JSC Kostromaenergo, JSC Kurskenergo, JSC Lipetskenergo, JSC Orelenergo, JSC Tambovenergo, JSC Smolenskenergo, JSC Tverenergo, JSC Yarenergo.

IDGC of Centre and North Caucasus, JSC was renamed as IDGC of Centre, JSC.

IDGC of Centre, JSC was first assigned an NCGR 6+ rating (according to RID-Expert RA).

2008

Affiliation of RGC and change to single share. Transfer of RGC's assets to the balance of IDGC of Centre, JSC.

IDGC of Centre, JSC's shares started trading on MICEX (MRKC) and RTS (MRKC; MRKCG).

Termination of activities of RAO UES of Russia. JSC IDGC Holding became the Company's major shareholder, holding 50.23% of authorised capital.

2009

The Smart City innovative energy-saving project was launched in the Belgorodenergo Branch.

The following 100/10 kV substations were put into operation:

- Maiskaya substation with a capacity of 80 MVA in Belgorodenergo;
- Davydovskaya substation in Kostromaenergo;
- Universitetskaya substation in Lipetskenergo;
- Chaika substation in Yarenergo.

Three pilot branches of IDGC of Centre, JSC (Tverenergo, Lipetskenergo and Belgorodenergo) switched to RAB, the new method of tariff regulation system.

IDGC of Centre was assigned a BB-/B/ruAA– credit rating ("Stable") by Standard & Poor`s for the first time.

2010

The following substations were put into operation:

- the 100 kV Krapivenskaya substation in Belgorodenergo,
- the 110 kV Kotorosl substation in Yarenergo providing large facilities with reliable electric energy supply which were built in honour of the 1,000th anniversary of Yaroslsavl,
- the 110 kV Zapadnaya substation in Orelenergo.

The company acquired JSC Yargorelectroset. As a result of the transaction, the Company owns 90% power grid assets in the Yaroslavl Region.

2011

All branches of IDGC of Centre switched to a new method of tariff regulation system based on RAB methodology.

The following substations were put into operation:

- the 110/35/10 kV Pochepskaya substation in the Bryansk Region,
- the110/10 kV Rodniki substation in Kursk,
- the 110 kV Kotelnaya substation in the Kursk Region.

The 110/10 PTF substation was put into operation, built for the purpose of the Inzhavinskaya poultry farm, which is one of the most modern poultry farms in Russia.

2012

The company purchased the power grid infrastructure in Stariy Oskol, making it possible to complete the process of power asset consolidation in the Belgorod Region.

The Lipetskenergo Branch completed the reconstruction of the oldest substation in the regional power grid system – the 110 kV Bugor substation. The installed capacity increased from 55 MVA to 126 MVA. These projects made it possible to increase the reliability of power supply in the central part of Lipetsk and provide spare capacity for connecting new users.

IDGC of Centre, JSC entered into the International Electricity Alliance CIRED in the status of a permanent organisation.

2013

In accordance with the resolution of the Ministry of Energy of the Russian Federation, IDGC of Centre, JSC became a last resort supplier in the Bryansk, Orel, Kursk, Tver and Smolensk Regions.

Comprehensive reconstruction of the 35/10 kV Zadonsk-Selskaya substation was completed in Lipetsk. The capacity of the power facility increased from 2.5 MVA to 4 MVA.

2014

IDGC of Centre provided the Motorinvest LLC car plant with power supply in the Lipetsk Region using unique modern power equipment – a mobile transferable 110 kV 25 MVA substation produced by Siemens.

The new 110/10 kV Vozrozhdenie substation was put into operation by IDGC of Centre in order to provide power to the facilities of Miratorg, a large Russian agricultural holding in the Kursk Region.

A trilateral agreement between IDGC of Centre, JSC Rosseti and the Yaroslav Region Government on economic promotion of energy saving measures and improving energy efficiency was signed.

The reconstruction of the 110/35/10 kV KPD substation in Volgorechensk was completed. Modernisation of the substation was carried out in 2013-2014. The investment in the reconstruction of the KPD substation amounted to RUB 118 mln.

The Kurskenergo Branch completed construction of the 35/10 kV Mansurovo substation in the Soviet District of the Kursk Region. The new supply centre was constructed with the aim of ensuring the connection to the electric grids of the large facilities at CJSC Agrocomplex Mansurovo, which is one of the largest agricultural investment projects in the region.

CORPORATE STRUCTURE

IDGC OF CENTRE, PJSC

BRANCHES (11):

- BELGORODENERGO
- BRYANSKENERGO
- VORONEZHENERGO
- KOSTROMAENERGO
- KURSKENERGO
- LIPETSKENERGO
- ORELENERGO
- SMOLENSKENERGO
- TAMBOVENERGO
- TVERENERGO
- YARENERGO

SUBSIDIARIES – 100%

JSC SANATORIUM ENERGETIK

51%

JSC YarESK

Regional grid organisation providing power transmission services in Yarloslavl region

100%

JSC TSIEEF

R&D,
energy efficiency services

OJSC ENERGY SERVICE COMPANY

The goal is to provide services in the field of energy saving, energy efficiency and energy services.

Bankruptcy procedure is introduced with respect to the Company.

MILESTONES OF 2015

1Q 2015

Electric grid assets of the affiliated company JSC YarEGC were transferred to IDGC of Centre with the prospect of their further liquidation. IDGC of Centre accepted all rights and liabilities of JSC YarEGC related to implementation of the electric grid company's operations and the timely execution of its liabilities to counterparties. The personnel of the affiliated party was transferred into the staff of the Company.

IDGC of Centre performed the grid connection of a plant for the production of drilling rigs in the Kostroma Region. The plant currently under construction is included in the list of investment projects ensuring the most favourable environment and is also of great importance for the economy and the development of the region. The enterprise is expected to manufacture drilling rigs, equipment for the maintenance of wells and other drilling equipment to serve the needs of the Russian oil and gas market and exports to the world market.

S & P assigned to IDGC of Centre a credit rating "BB-/B/ ruAA-" with a Stable outlook.
The rating agency revised the credit rating of IDGC of Centre due to the changes of the macroeconomic situation, resulting in the reduction of the rating of the Russian Federation.

2Q 2015

IDGC of Centre performed a grid connection of a new region in the Leninskoe settlement in the Tambov Region. The project was implemented within the framework of the regional programme of housing provision to residents instead of slums and substandard housing.

The project of an electricity creation metering system with data collection using the consumers' intelligent metering devices.
The purpose of this system is to improve the efficiency of power transmission, to control electric power consumption, to reduce purchase costs losses and to reduce costs related to checking the metering devices' readings.

IDGC of Centre joined the Anti-Corruption Charter of Russian Business.

IDGC of Centre and the Administration of the Tambov Region signed a concession agreement for the electrification of the sites of "Tambov Turkey" LLC and OJSC "Tokarevskaya Poultry Plant".
The signed concession agreement will be the first experience of public-private partnership in the electric grid sector. The agreement is for a 20-year period and allows the attraction of investments for the construction and operation of power grid facilities of the Tambov Region to a volume of RUB 1.2 bln. The terms and conditions of the concession agreement are innovative to the electric grid complex and allow the increase of the availability of new electric grid facilities to consumers while reducing the risks of the project implementation.

IDGC of Centre and Siemens signed a cooperation agreement for the implementation of a comprehensive programme of modernisation of electric grids.
The parties intend to develop the cooperation in the field of modernisation of the electric grid infrastructure, including the implementation of elements for intelligent networks (Smart Grid).

IDGC of Centre placed the exchange-traded bonds of series BO-02 with a total nominal value of 5 billion rubles.
The maturity for the issue is 10 years; there is an option of 3 years for the issue from the date of placement. The coupon rate for increasing the offer is determined on the basis of bookbinding and is set at 12.42% per annum.

The Annual General Shareholder Meeting of IDGC of Centre was held. Shareholders resolved to allocate 25% of the retained earnings for 2014 to be paid as dividends.

3Q 2015

The change of the Company's name.
Pursuant to the resolution of the Annual General Meeting of Shareholders, the Company's name was changed to "Interregional Distribution Grid Company of Centre", Public Joint-Stock Company (IDGC of Centre, PJSC).

The Russian Institute of Directors once again confirmed the corporate governance rating of IDGC of Centre at NCGR 7+ "Developed practice of corporate governance".

IDGC of Centre performed the connection of the elevator at Poultry Tsarstvo JSC in the Lipetsk Region.
An elevator with a capacity of over 200 thousand tons is located in a special economic industrial and production area "Eletsprom".

4Q 2015

IDGC of Centre completed the connection of the largest sports and recreation camp "Tambov Artek" in the Tambov Region.

IDGC of Centre redeemed bonds of series BO-01.

IDGC of Centre placed exchange-traded bonds from the series BO-03 and BO-04 with a total nominal value of 10 billion rubles.
The maturity of the issue is 10 years. For bonds of the series BO-03, a put option after 5 years from the date of placement is provided, as well as the possibility of an early redemption after 2 years. The coupon rate is set at 11.8% per annum. For bonds of the series BO-04, a put option after 7 years from the date of placement is provided, as well as the possibility of early redemption after 4 years. The rate of 1-14 coupons is set at 11.58% per annum.

IDGC of Centre completed the connection to the grids of a sports and fitness centre in the settlement of Kshensky in the Kursk Region.

IDGC of Centre purchased electric grids assets ensuring the power supply to the city of Uglich.
250 km of electric grids, 67 transformer substations with total capacity of 32.4 MVA were included in the Company's assets.

AFTER THE REPORTING DATE

January 2016

IDGC of Centre leased power grids facilities in the city of Kimry of the Tver Region, thus extending the service area of the region's south-east.
This transaction is the next step in the implementation of the consolidation policy of power grid assets, which IDGC of Centre consistently pursues. As a part of the concluded contract, the power company will monitor the status of electric networks of the district's centre and gradually implement new technologies, promoting the development of the entire energy system of the Upper Volga.

February 2016

The shares of IDGC of Centre were included in the new index of MICEX.
IDGC of Centre became the only distribution grid company whose shares were included in the calculation database of the Moscow Exchange small/mid-cap indices (MCXSM). As of that moment, the weighting of the Company's shares was 0.37%.

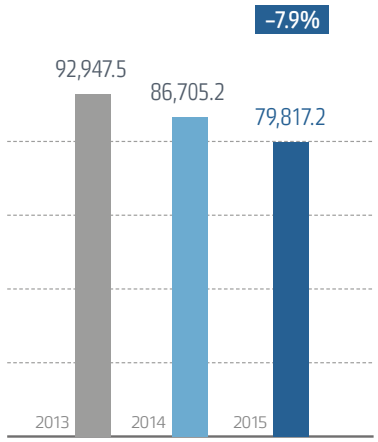
March 2016

The Russian Institute of Directors raised the corporate governance rating of IDGC of Centre to NCGR 7++ level.
Proceeding from the results of the revaluation of corporate governance practices, the Russian Institute of Directors raised the NCGR rating to the level of NCGR 7++ "Developed Corporate Governance Practice".

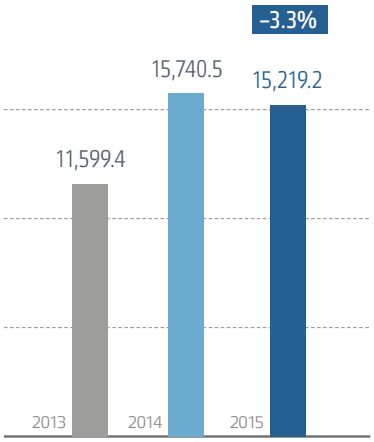
KEY INDICATORS

KEY FINANCIAL AND PERFORMANCE INDICATORS

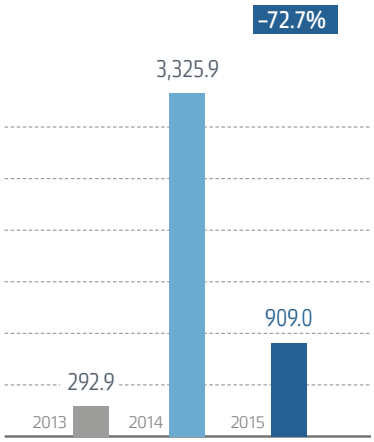
Revenues (RAS), RUB mln



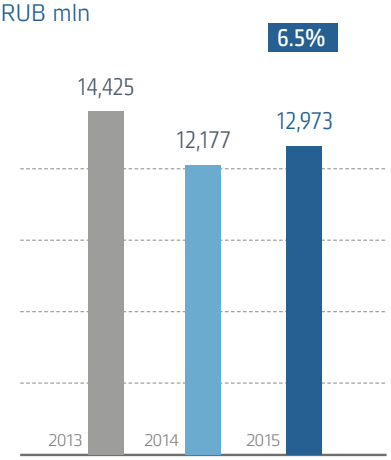
EBITDA[1] (RAS), RUB mln



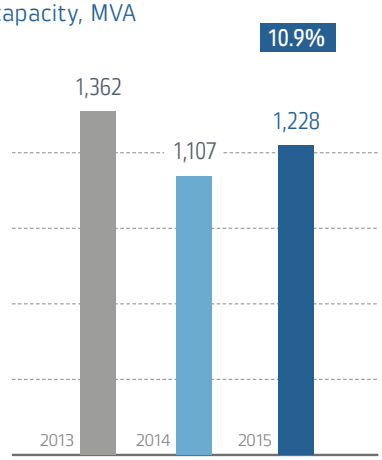
Net profit (RAS), RUB mln



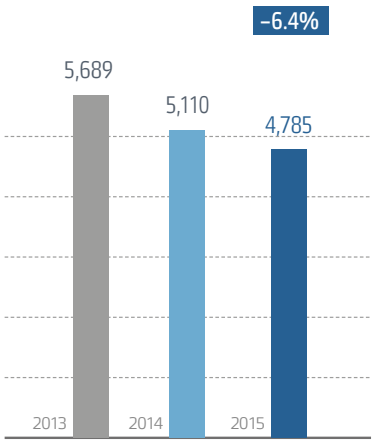
Capital investment, RUB mln



Commissioning of transformer capacity, MVA

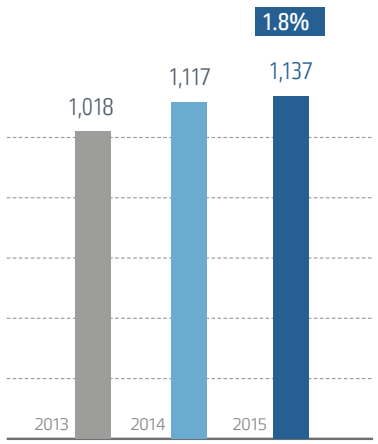


Commission of power lines, km

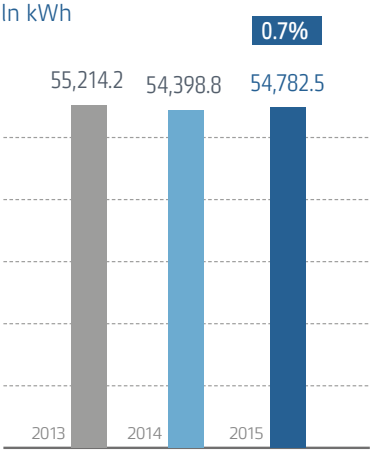


MAIN PERFORMANCE INDICATORS OF CUSTOMER AND SUPPLIER RELATIONS

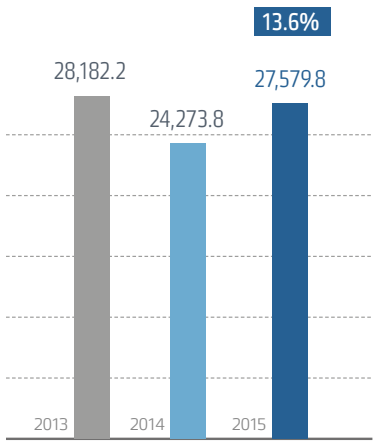
Maximum connected capacity, MW



Amount of electric energy transmission services provided, mln kWh



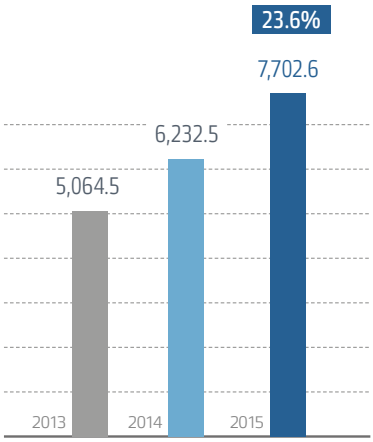
Volume of purchases, RUB mln



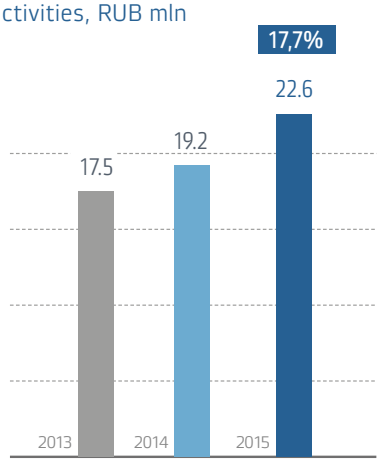
[1] *EBITDA is calculated as follows: profit before taxation – interest payable + depreciation= line2300 form 2 – line 2330 form 2+ line 6514 form 2.1+ line 6554 form 2.1 + line 6564 form 2.1.*

MAIN INDICATORS OF THE COMPANY RELATIONS

Tax payments, RUB mln

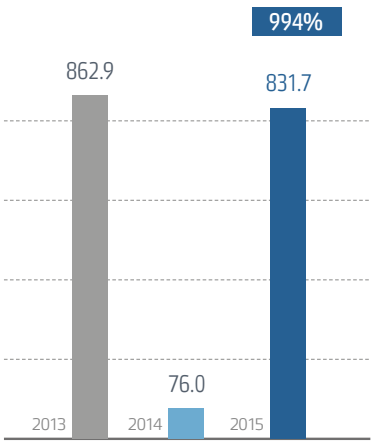


Expenses for environment protection activities, RUB mln



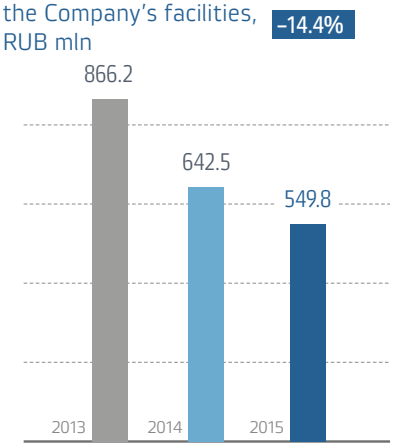
MAIN PERFORMANCE INDICATORS OF SHAREHOLDER RELATIONS

Amount of dividend charged, RUB mln

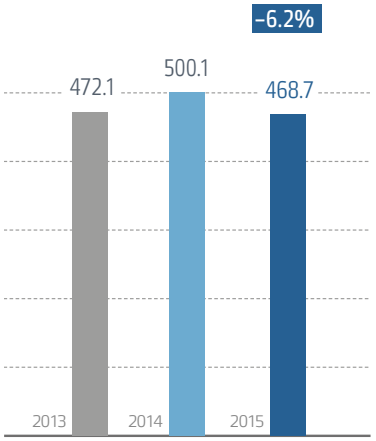


MAIN INDICATORS OF LABOUR SAFETY AND ENVIRONMENTAL PROTECTION

Expenses for the Programme for the third party injury risk reduction at the Company's facilities, RUB mln

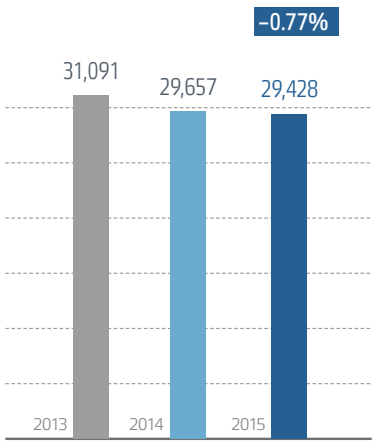


Labour safety costs, RUB mln

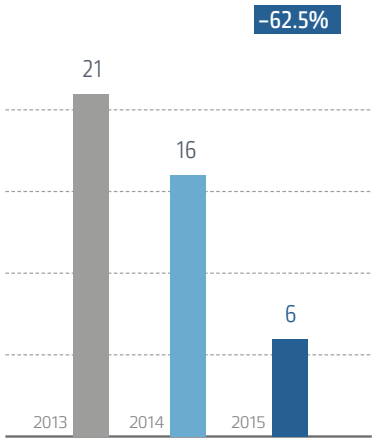


MAIN HR INDICATORS

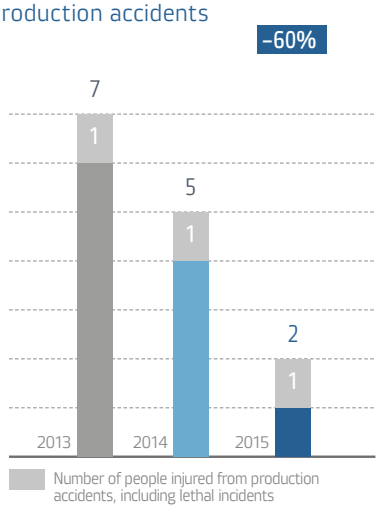
Average headcount, persons



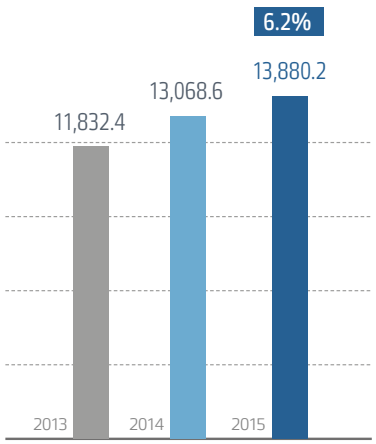
Third party injuries at the Company's facilities



Number of people injured from production accidents

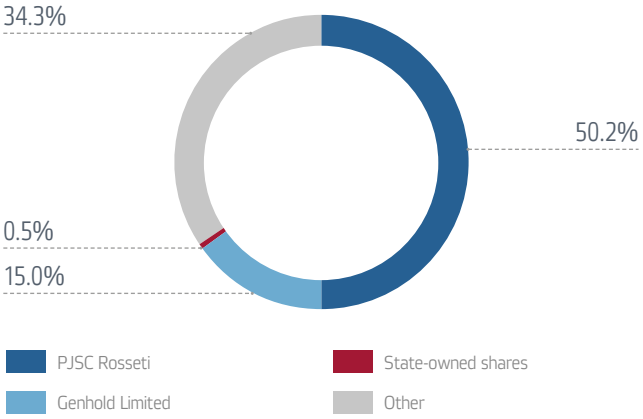


Wages and social payments, RUB mln

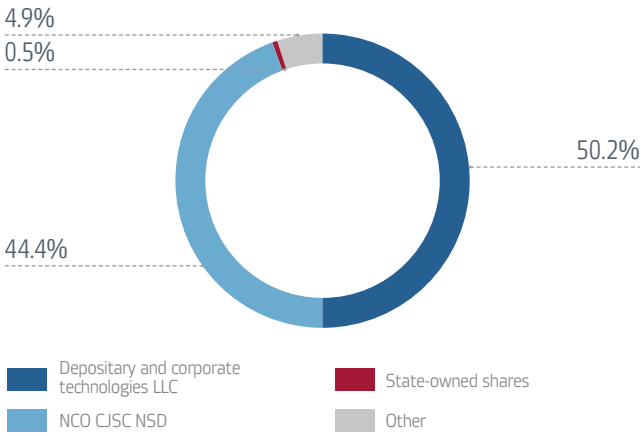


STRUCTURE OF THE AUTHORISED STOCK

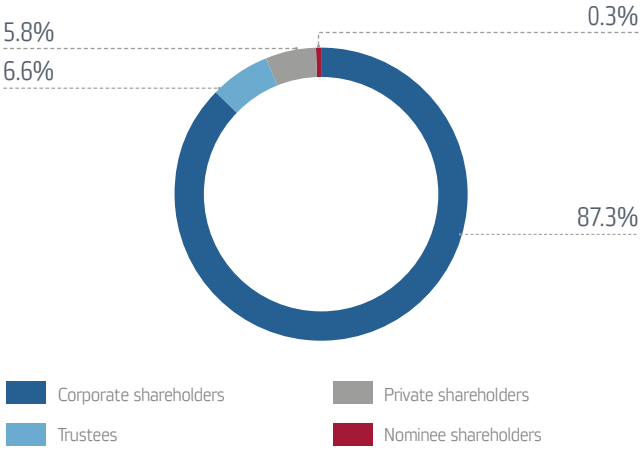
The largest shareholders as of the most recent closing date of the share register (May 20, 2015), including information about the clients of the nominee shareholders

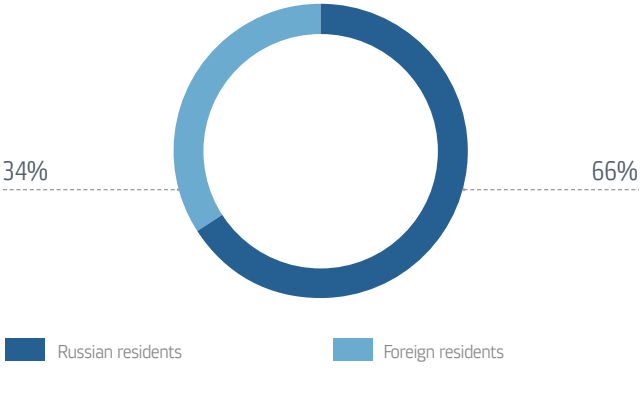


The largest nominee shareholders in the share register as at December 31, 2015 without information about clients of the nominee shareholders

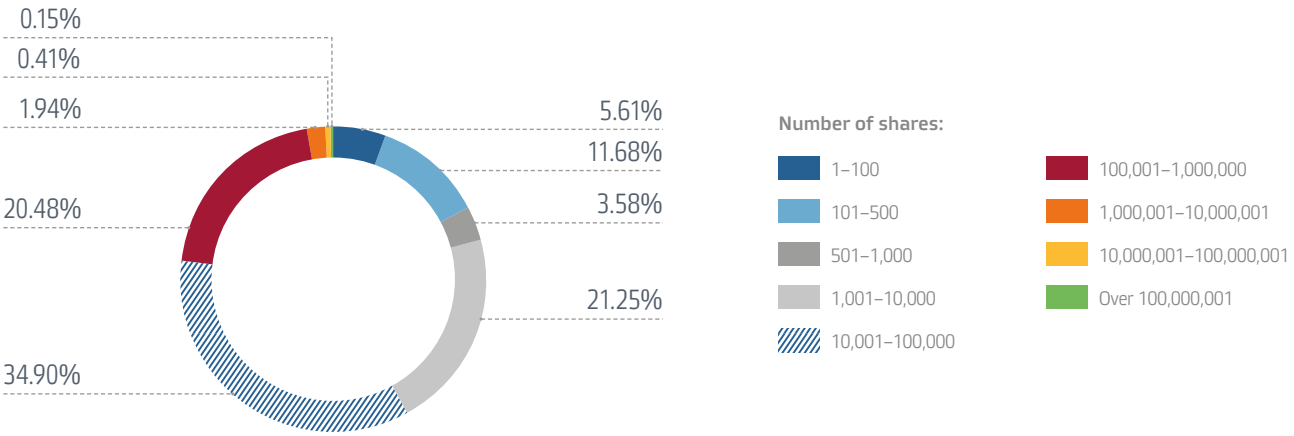


Structure of share capital as of May 20, 2015 (as of the most recent closing date of the share register)



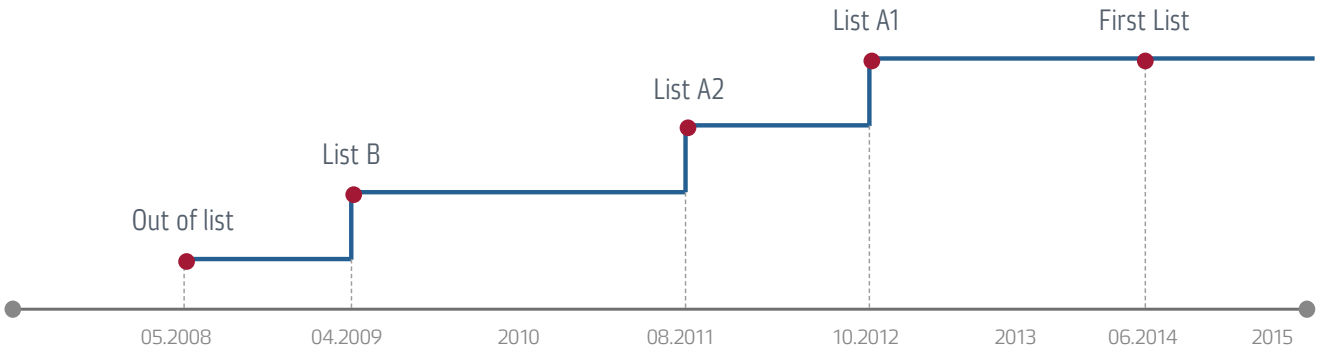


The concentration of IDGC of Centre's share capital at the last record date (May 20, 2015) (including disclosure of information on the customers of nominee shareholders in time for the Annual General Shareholders' Meeting dd. June 25, 2015)



SECURITIES

Quotation list of Moscow Exchange



Listing: First (top)
list of Moscow Exchange

Shares: 42,217,941,468
Total amount of common registered shares with the par value of 10 kopecks each.

Credit ratings:

BB–/B/ruAA–
with Stable outlook
Standard&Poor's

AA
very high credit rating, level 2
National rating agency

Shares of IDGC of Centre are included in the calculation database of the Moscow Stock Exchange indices:

- MICEX PWR (the weighting of the stock is 2.16%);
- MICEX SC (the weighting of the stock is 2.02%);
- MOEX RCI (the weighting of the stock is 1.66%).

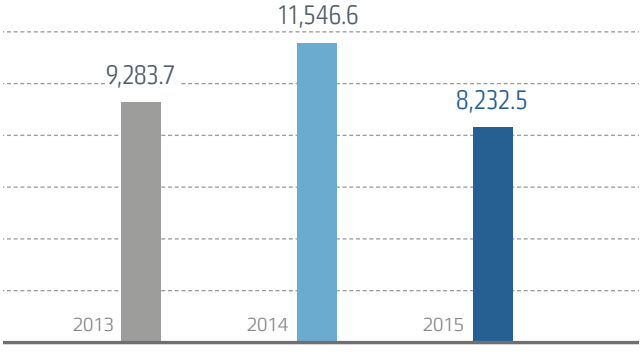
Stock exchange indices:

MICEX SC
MICEX index

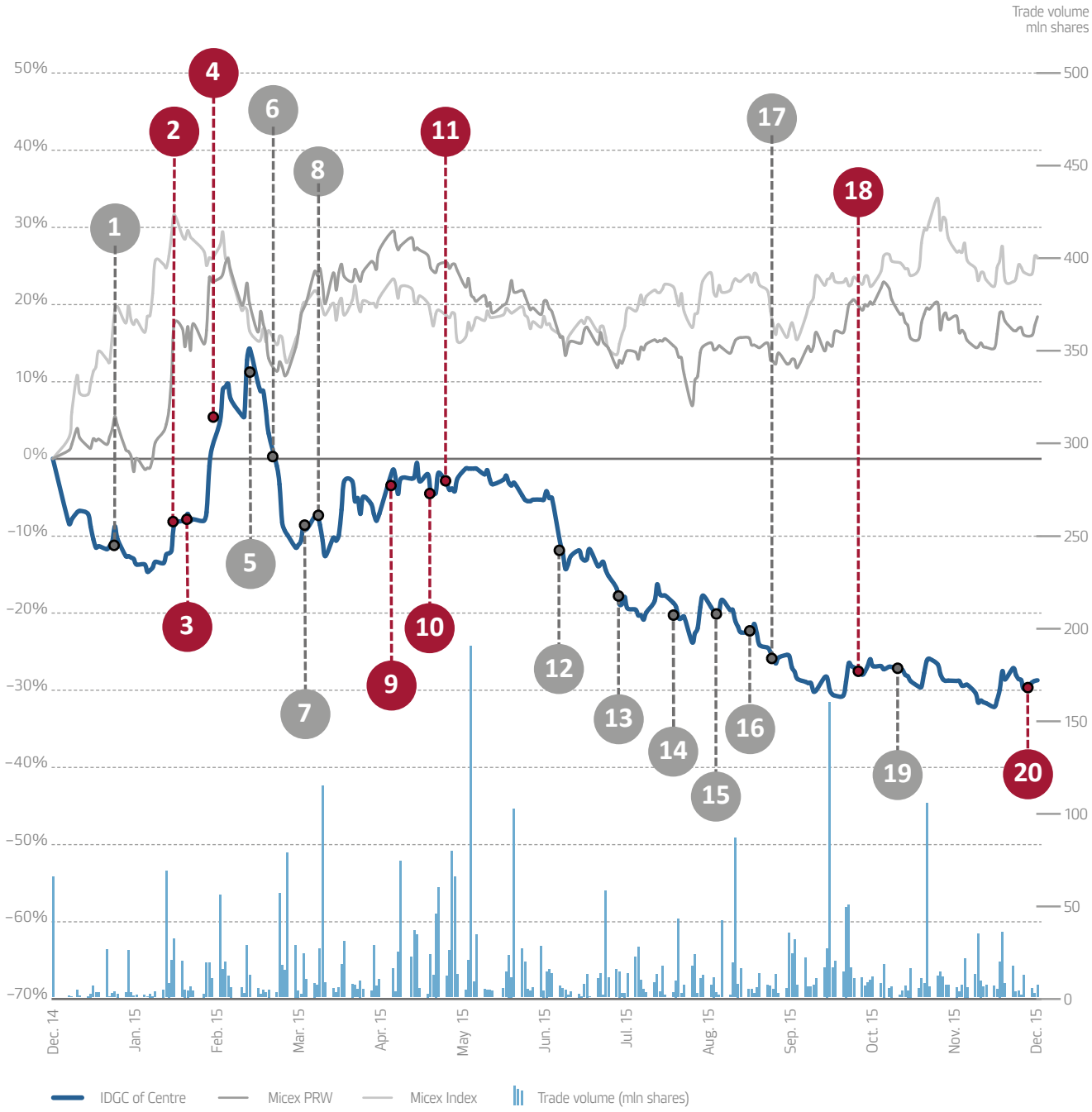
MICEX PWR
Power utility index of MICEX

MOEX RCI
MOEX Regulated Company Index

Capitalisation, RUB mln

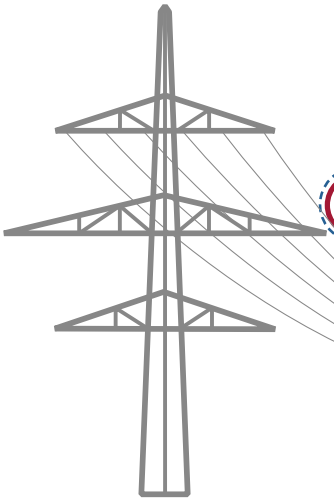


EVENTS AND NEWS THAT INFLUENCED THE IDGC OF CENTRE'S STOCK TRADING IN 2015



	Events	Date	A source	Effect on the stock price movement
1	The assistant to the President of the Russian Federation, A.Belousov, said the Russian authorities so far have not discussed the increase of tariffs on natural monopolies due to the growth of the inflation rate.	21.01.2015	External	Negative
2	According to the media, Rosseti may reduce the investment programme for 2015–2017 by 30%.	16.02.2015	External	Positive
3	According to the media, the Russian Ministry of Energy proposed to re-distribute the population's payments to the generating companies in favour of grid companies.	19.02.2015	External	Positive
4	IDGC of Centre published its statements under RAS for 2014.	03.03.2015	Internal	Positive
5	The Board of Directors approved the revised the Investment Programme for 2015 and through 2016–2020.	17.03.2015	Internal	Negative
6	The newspaper Vedomosti reported that Rosseti prepared negative and optimistic development scenarios for the subsidiaries through 2015–2019 and their proposals on improving the monopoly's financial sustainability.	23.03.2015	External	Negative
7	IDGC of Centre published its Business Plan for 2015.	02.04.2015	Internal	Negative
8	Rosimushchestvo (Russian Property Agency) reported that the discussion of the privatisation of Rosseti's subsidiaries was postponed.	07.04.2015	External	Negative
9	IDGC of Centre published its statements under RAS for the 1st quarter of 2015.	06.05.2015	Internal	Positive
10	The Board of Directors of IDGC of Centre approved and recommended the Company's Annual General Meeting of Shareholders to allocate RUB 831,693 thou. for the dividend payment.	21.05.2015	Internal	Positive
11	According to the media, the Russian Government is discussing a higher tariff growth for Rosseti for 2016.	27.05.2015	External	Positive
12	Closing the shareholder register for the dividend payment.	07.07.2015	External	Negative
13	IDGC of Centre published its statements under RAS for the 1st half of 2015.	28.07.2015	Internal	Negative
14	Renaissance Capital reduced its rating of IDGC of Centre's shares significantly by issuing the recommendation "To Sell".	24.08.2015	Internal	Negative
15	The head of the Federal Anti-Trust Service of Russia, I. Artemyev, said that the regulated tariffs shall not grow at a higher pace than the consumer's inflation rate.	02.09.2015	External	Negative
16	IDGC of Centre approved the revised Investment Programme for 2015.	17.09.2015	Internal	Negative
17	The Federal Anti-Trust Service of Russia proposes a lower tariff indexation rate.	23.09.2015	External	Negative
18	The Ministry of Energy of Russia proposes to reinforce the payment discipline for the sales companies.	25.10.2015	External	Positive
19	The Board of Directors of IDGC of Centre approved the revised Business Plan of the Company for 2015, including the Investment Programme.	13.11.2015	Internal	Negative
20	The Board of Directors approved the Company's Business Plan for 2016, including the Investment Programme.	28.12.2015	Internal	Positive

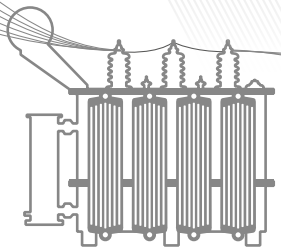
BUSINESS MODEL



transmission towers
35–110 kV

Reconstruction and automation of 35 kV grids

p. 41 →



substation 35–110 kV

KEY ASSET

ELECTRICITY GRIDS

382,540 km
overhead lines (ROW)

17,156 km
cable lines

2,372
35-110 kV substations
of 34,243 MVA

97,336
6-10/0.4 kV transformer substations
and 6-10 kV distribution substations
of 19,013 MVA

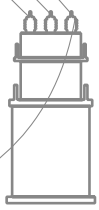
Creating 6–10/0.4 kV power grids

p. 43 →

transmission towers
6–10 kV

Using the digital technologies with application of IEC 61850

p. 40 →



transformer equipment,
6–10 kV

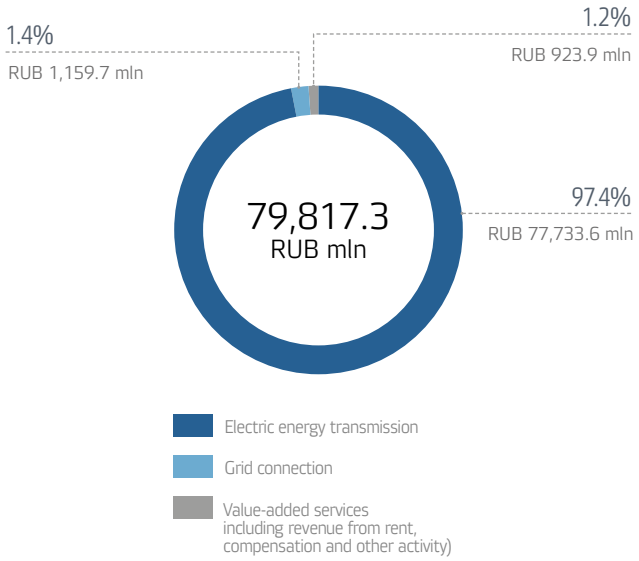
Construction of 0.4 kV overhead power transmission lines with steel multisided poles

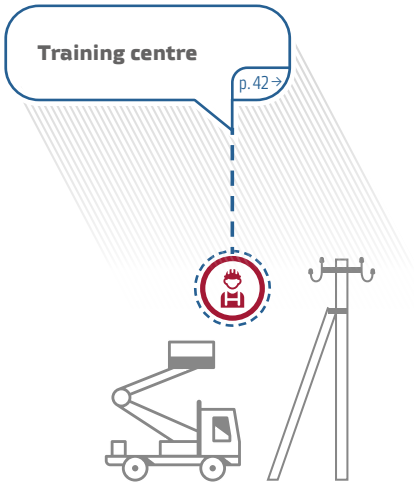
p 41 →

transmission towers
0,4 kV

Cable lines

Revenue breakdown by main types of services in 2015





ELECTRIC ENERGY TRANSMISSION

GRID CONNECTION

VALUE-ADDED SERVICES

- Reconfiguration of electric grid facilities in interests of customers
- Street lighting system installation
- Testing and diagnostics of equipment
- Energy audit and services
- Performance of works within the customer's competence under the grid connection procedure
- Provision of technical resources
- Installation and replacement of metering devices
- Designing and construction of power facilities
- Operation, maintenance and repair of power equipment

CUSTOMERS

- Sales companies, suppliers of last resort
- Territorial Grid Companies (TGC)
- End electricity users (legal entities, residential customers)

APPLICANTS/CLIENTS

- Individuals
- Manufacturing companies
- Non-manufacturing companies
- Transport companies
- Agriculture
- Fishing farms
- Generation and distribution of electricity, gas and water
- Construction companies
- Trade companies
- Healthcare and educational institutions
- Other applicants

ADDRESS FROM THE CHAIR OF THE BOARD OF DIRECTORS AND GENERAL DIRECTOR

DEAR SHAREHOLDERS, PARTNERS AND COLLEAGUES!

Our Company has been providing a reliable power supply to residents of the Central Russia for over 10 years. We are committed to our mission and supporting people to maintain a high level quality of life, contributing to the economic development of our regions.

FOCUSED ON QUALITY

IDGC of Centre is a company whose infrastructure is essential to 11 regions. The main quality indicator of our services is the minimal level of power losses. The reduction of grid power losses is among the highest strategic priorities of the Company's operations.

Every year, the Company's Board of Directors approves the Programme of Actions for Power Losses Reduction, introduces new technologies and installs new energy saving equipment. Special attention is paid to the development of the automated information and metering system for electricity metering.

In 2015, IDGC of Centre reduced actual grid power losses from electricity output into grids to 9.35%, which is a 0.09% improvement over the projected number. Compared to 2014, power losses were reduced by 93.1 mln kWh, and losses in similar situations were reduced by 0.14%. All of this saved us over RUB 190 mln.

The main indicator of our production operations – electricity transmission services – amounted to 54,782.5 mln kWh in 2015, which is a 0.7% increase compared to 2014. In 2015, the share of IDGC of Centre in the electricity transmission market was 86.0% based on the Company's shares in RGR of the regions where it operates.

YURY N. MANGAROV
Chairman of the Board of Directors
IDGC of Centre, PJSC

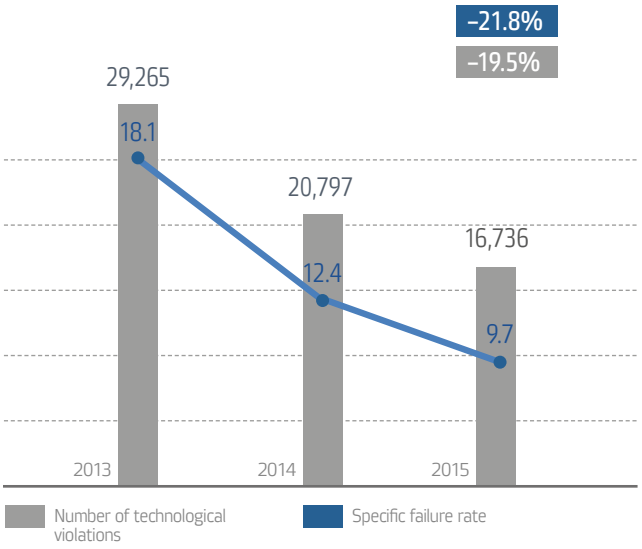
Maintaining leading positions in the number of electric grids assets among distribution companies drives us to introduce innovative solutions and use the most up-to-date technologies to the maximum extent possible. The first Russian production assets management system was created at IDGC of Centre to provide the continuous monitoring of operations quality. This system generates a unified and consistent database of electric grids facilities, including the parameters of diagnostic measurements, as well as any defects and critical points. We used this software package to automate production planning and control processes, targeting the reliability of the programme's improvement of implementation control and analysis.

Our production potential and implementation of the investment programme contribute to the decisions made concerning the connection of grids to new consumers. In 2015, 49,570 contracts for grid connection were executed. The total number of completed contracts amounted to 63,303, which is more than projected plan for 2015 and more than 2014's figures by 32% and 26% correspondingly. The total capacity connected under these contracts exceeds the previous year by 2%. In 2015, total revenue from grid connection amounted to RUB 1,159.7 mln, which is a 5% increase in comparison with the projected plan. The market share of grid connections in 2015 amounted to 88.5%.

Another indicator showing the improvement of the quality of our services is the improvement of reliability rates. The number of processes violations decreased by 19.5% over the previous year, and the unit failure rate decreased by 21.8%, reaching a minimum for the last three years.

OLEG YU. ISAEV
General Director
IDGC of Centre, PJSC

Reliability indicators over 2013–2015



INVESTMENTS IN THE FUTURE

In 2015, we continued working on the improvement of the Company's shares liquidity rate, resulting in holding the leading positions for shares trading volumes among distribution companies and the stable trading of IDGC of Centre's shares in the highest listing of MICEX.

Annual perception study shows the positive dynamic pattern of the Company's image.

Taking in consideration the significant changes in corporate governance law, we provided a self-evaluation of the corporate governance level by using the methodology approved by the Federal Property Management Agency. The achieved score was 382.5 out of 548, which corresponds to 70%. We are satisfied with these results, as they prove high standards of the Company's corporate governance. We are planning to improve activities in this area next year.

In 2016, we will continue improving the Company's investment appeal and information transparency. We strongly believe that these activities shall result in the growth of shares value and the stability of the dividend payment level.

DEVELOPMENT OF PUBLIC-PRIVATE PARTNERSHIP

In 2015, IDGC of Centre concluded a concession agreement with the Administration of the Tambov region for the electrification of the production sites "Tambov Turkey" LLC and OJSC "Tokarevskaya Poultry Plant". The agreement is concluded for a 20-year period and will be the first experience of public-private partnership in the electric grid sector. It will attract investments for the construction and operation of power grid facilities in the Tambov Region to a volume of RUB 1.2 bln.

The implementation of projects is of great importance for the Tambov Region's economy and is a significant contribution in the development of agricultural areas, the structure revision of the agricultural system, and switching from low efficiency production plants to up-to-date and innovative ones.

A NEW LEVEL OF EFFICIENCY

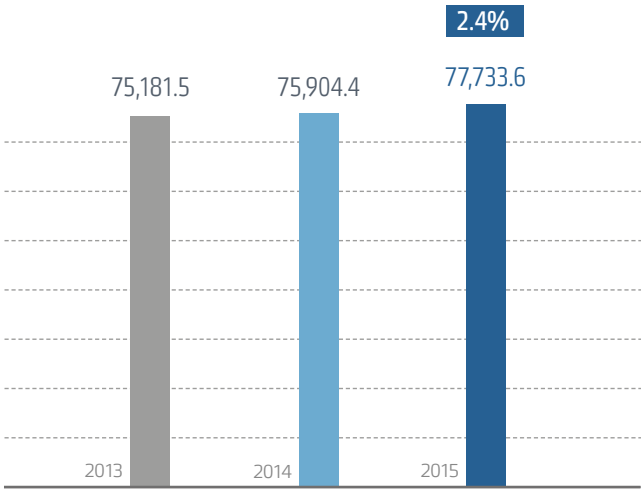
In 2015, we managed to meet the growing needs of the economy and the social sector in power supply at cost efficient tariffs. Furthermore, the Company managed to diversify its credit portfolio and preserve its financial sustainability.

In 2015, the revenue under RAS amounted to RUB 79,817.2 mln, the growth of electric power transmission proceeds amounted to 2.4% over the same period of 2014. Earnings before Interest, Taxation, Depreciation & Amortisation (EBITDA), amounted to RUB 15,219.2 mln, and the profit margin increased to 19.1%. Despite the negative external factors, these results were achieved thanks to the successful implementation of a cost reduction programme resulting in a 8.5% decrease. The main areas of efficiency improvement were the Optimisation of the number of administration staff, improving the control of costs, and the revision of relations with suppliers and contractors in the course of procurement activities.

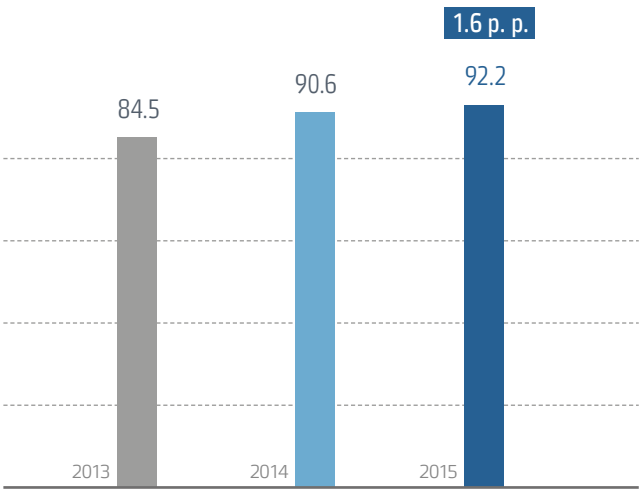
Despite tough tariff restrictions and the challenges associated with a shortfall in income from the special terms of consumers' connections, the net profit in 2015 amounted to RUB 909 mln, which is by 72.7% below the same indicator last year, but exceeds the projected plan by RUB 1,334.8 mln. This positive financial result was supported by the efforts of the Board of Directors, the Company management and all its employees by improving the efficiency of their operations.

Meeting economic needs in transmission capacities, the Company is a reliable partner in the planning of the regions and in implementing regional development programmes. In addition to this, the Company is a diligent taxpayer. IDGC of Centre continuously works on the improvement of its financial and operating efficiency, as it is one of the most efficient ways to ensure the balance of the consumer's interest, the interest of the shareholders and the economy as a whole.

Revenues from electric energy transmission over 2013–2015, RUB mln (comparable conditions)



Positive Image of the Company over 2013–2015,%



SUSTAINABLE DEVELOPMENT

Commitment to social business responsibility and sustainable development principles is an essential element of the Company's corporate policy. Therefore, IDGC of Centre is committed to ensuring the continuous development of its human resources by: expanding the competences of the employees, creating a favourable social and production environment, ensuring the engagement of each employee in its operations to achieve the Company's targets. The Company is focused on the prevention of third party accidents at electric grids facilities, the adaptation of its professionals, and the improvement of training and skills of the Company's employees.

IDGC of Centre implements an environmental policy to reduce negative impact on the environment. These actions taken include the Company's operations in monitoring the transportation of the toxicity of exhaust gases, the monitoring of discharged waste-water and the separate storage of waste at industrial sites.

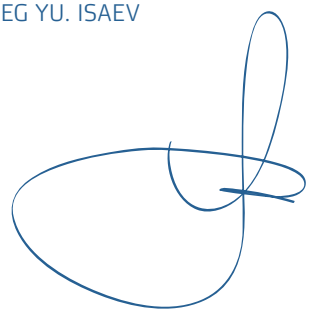
The Company has vast experience in replacing oil breakers with SF6 and vacuum breakers, which have high reliability rates, are fire-safe and environmentally friendly. In order to protect birds, we use up-to-date insulated wires, of which the total length of these wires was increased by 3,464 km in 2015.

Last year, the Company managed to improve its potential and is ready for the challenges of 2016. Despite the risks, including a dynamically changing tariff policy, the reduction of power consumption by certain industrial plants, a deterioration of consumers' capacity to pay and various negative external macroeconomic factors, the experience and professional skills of the personnel of IDGC of Centre allow us face the future with confidence.

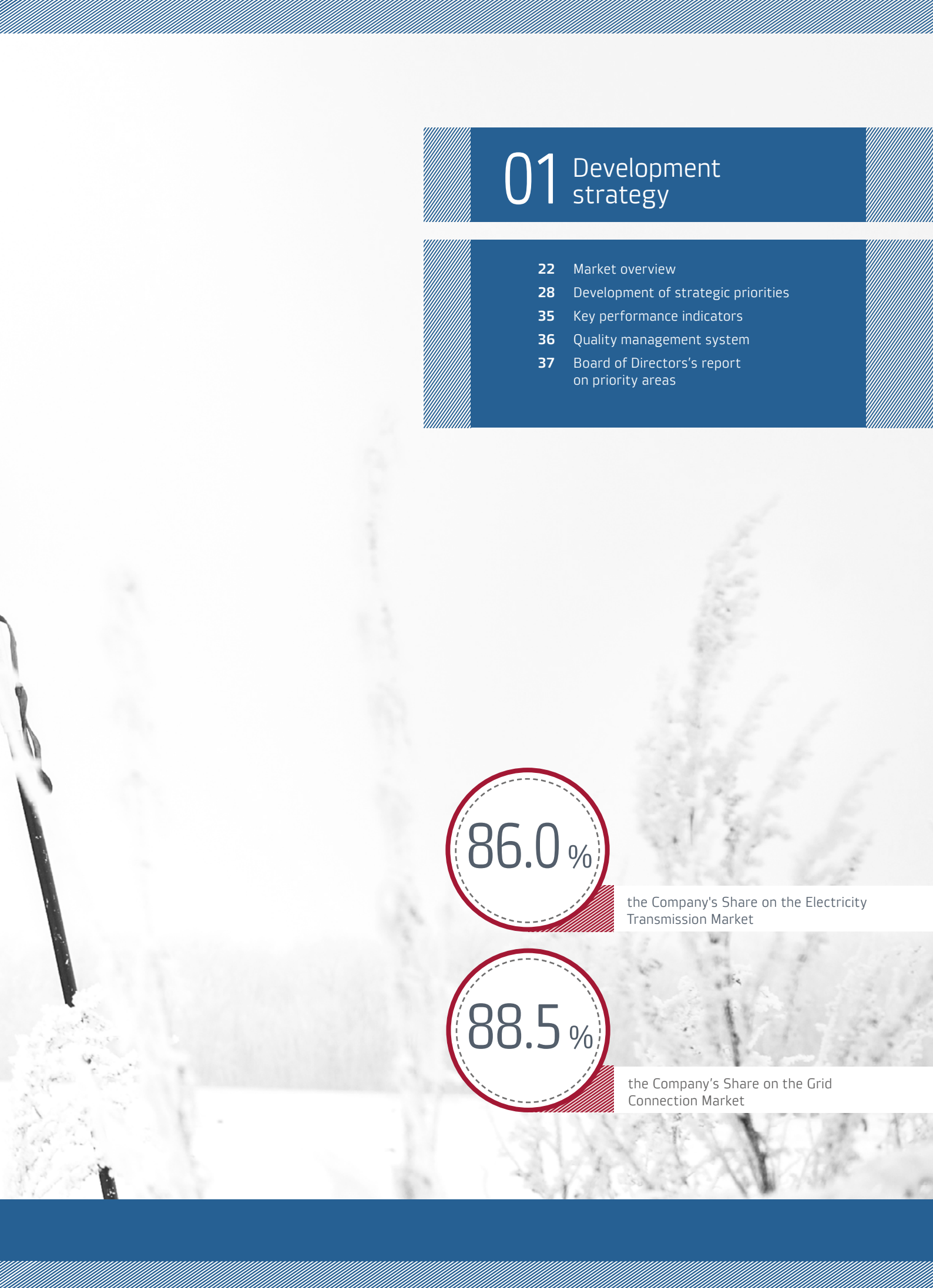
On behalf of the Company's Board of Directors and the senior management staff, we would like to thank all employees for their diligent work in 2015, and we would like to thank our shareholders and investors for their trust in such a difficult economic environment.

YURY N. MANGAROV

OLEG YU. ISAEV



01 Development strategy



86.0 %

the Company's Share on the Electricity Transmission Market

88.5 %

the Company's Share on the Grid Connection Market

MARKET OVERVIEW

STRUCTURE OF THE UNIFIED POWER SYSTEM OF RUSSIA (UPS)

The current model of the Russian electricity industry evolved during the 2000s, driven by the restructuring of JSC RAO UES of Russia, a single entity engaged in the generation, transmission and supply of electricity and power.

IDGC of Centre operates electricity transmission in 11 branches.

THE REFORM RESULTED IN THE CREATION OF SEVERAL INDEPENDENT JOINT STOCK COMPANIES, DIVIDED BY THE TYPE OF BUSINESS:

SYSTEM OPERATOR (JSC SO UPS)

Manages the power system. Seven united power systems: East, Siberia, Urals, Middle Volga, South, Centre and Northwest, which, in turn, include 69 regional power systems.

GENERATING COMPANIES

Generate electricity and heat (comprise over 700 power stations over 5 MW).

GRID COMPANIES

Transmit and distribute electricity through high voltage networks (220 kV and above) and low voltage grids (0.4–110 kV). Comprise Federal Grid Company (JSC FGC UES), interregional and territorial grid companies.

RETAIL COMPANIES

Supply electric energy and power to consumers.

The structural reforms made it possible to start creating sound market relations in the power sector.

IDGC of Centre takes monopoly position and is a key infrastructure company in economically developed regions of the European part of Russia.

KEY INDUSTRY INDICATORS

The power sector is one of the leading sectors of the Russian economy, accounting for about 3% of Russia's GDP. Therefore, the overall assessment of the market prospects of Russian power companies depends on Russia's economic development and reinvestment opportunities, which are the key factors for the basic evaluation of companies and for the inflow of capital into industry.

Trend in power consumption

- In 2015, the energy consumption in Russia amounted to 1,008.25 bn kWh.
- Energy consumption reduction versus 2014 amounted to 5.61 bn kWh (0.55%).
- The trend mainly depend on the temperature factor: in certain power systems, power consumption reduced significantly due to higher ambient temperatures versus 2014.
- Apart from the temperature factor, in 2015 the power consumption in the UPS of Russia reduced due to the reduction of power consumption of some industrial plants.

1,008.25 bn kWh
amounted the energy consumption in Russia in 2015

Trend in industrial production

- In 2015, production volumes continued to reduce.
- Compared to 2014, production volumes decreased by 3.4%.
- Electricity, gas and water production and distribution decreased by 1.6%.

1.6 %
electricity, gas and water production and distribution decreased

Trend in consumer prices

- In 2015, the average inflation rate was 15.5%. In the two last years, the inflation rate increased twice, exceeding 2011-2013; the average annual growth was 6.4%. The growth of inflation was mainly due to the significant devaluation of the ruble since the end of 2014.
- The growth of inflation results in an increase of business costs for the companies, in particular while performing investment programmes and in an increase of borrowings service costs due to the growth of interest rates.

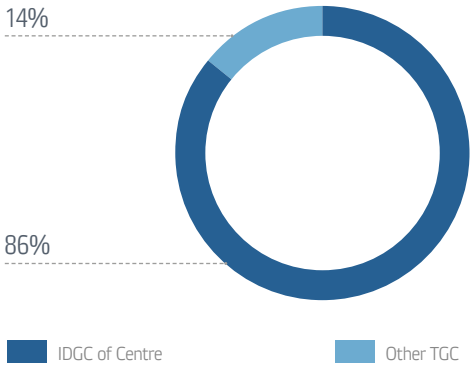
15.5 %
was the average inflation rate in 2015

MARKET POSITION

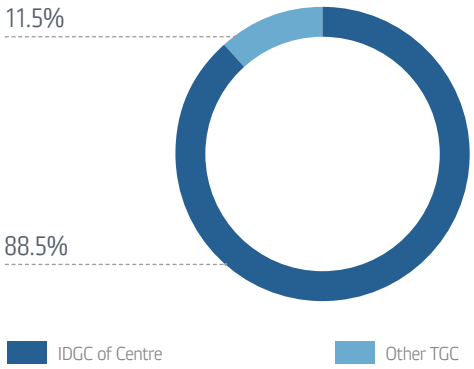
The Company holds a leading position in terms of services provided in all of the 11 regions of Central Russia where IDGC of Centre operates.

1. Belgorod Region
2. Bryansk Region
3. Voronezh Region
4. Kostroma Region
5. Kursk Region
6. Lipetsk Region
7. Orel Region
8. Smolensk Region
9. Tver Region
10. Tambov Region
11. Yaroslavl Region

The Company's Share on the Electricity Transmission Market



The Company's Share on the Grid Connection Market



BENCHMARKING OF IDGC OF CENTRE AGAINST PEERS IN 2015

No. 2 Revenue according to RAS (2015), RUB mln

MOESK	129,288.3
IDGC of Centre	79,817.2
IDGC of Centre and Volga Region	68,884.1
IDGC of the Urals	60,534.0
IDGC of Volga	47,860.4
Lenenergo	43,726.7
IDGC of Siberia	42,744.4
IDGC of North West	39,622.6
IDGC of South	30,365.0
IDGC of North Caucasus	14,548.6

Without change vs. 2014

No. 2 EBITDA[1] according to RAS (2015), RUB mln

MOESK	41,953.8
IDGC of Centre	15,219.2
IDGC of Centre and Volga Region	10,482.7
IDGC of the Urals	8,452.8
IDGC of Volga	7,676.0
Lenenergo	7,201.9
IDGC of North West	6,855.7
IDGC of South	5,760.8
IDGC of Siberia	5,583.3
IDGC of North Caucasus	–437.2

Without change vs. 2014

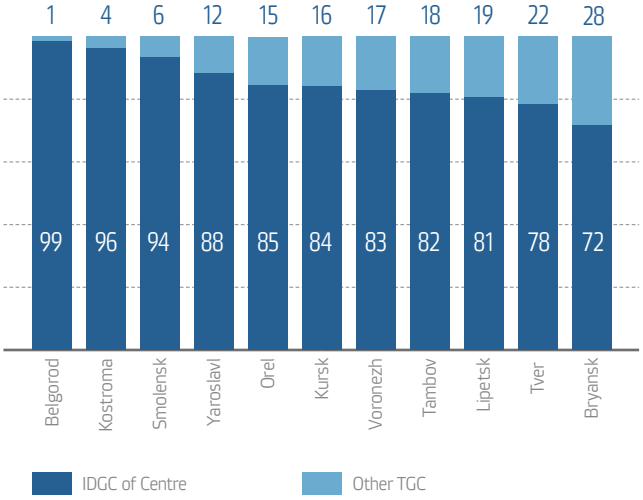
No. 4 Net profit according to RAS (2015), RUB mln

MOESK	9,246.5
IDGC of the Urals	2,466.0
IDGC of Centre and Volga Region	942.6
IDGC of Centre	909.0
IDGC of North West	644.0
IDGC of Volga	242.9
IDGC of South	149.6
IDGC of Siberia	–237.0
IDGC of North Caucasus	–3,018.4
Lenenergo	–5,916.5

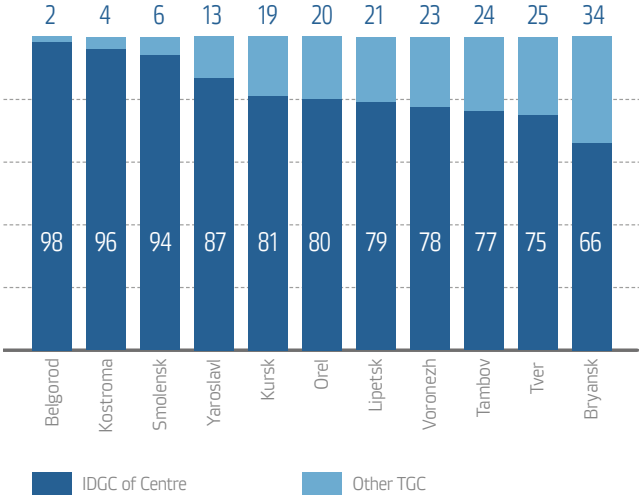
–2 positions by 2014

[1] *EBITDA is calculated as follows: profit before taxation – interest payable + depreciation= line2300 form 2 – line 2330 form 2+ line 6514 form 2.1+ line 6554 form 2.1 + line 6564 form 2.1.*

The Company's Share on the Electricity Transmission Market,%



The Company's Share on the Grid Connection Market,%



Large companies providing similar services

Belgorod	South-East Direction for Power Supply – Structural Unit of Transenergo, branch of Russian Railways
Bryansk	JSC Russian Railways
Voronezh	SUE Voronezh Municipal Power Grid
Kostroma	Energoservice LLC
Kursk	OJSC Kursk Power Grid
Lipetsk	OJSC Lipetsk City Power Company
Orel	OJSC Oreloblenergo
Smolensk	OJSC ELS
Tambov	OJSC Tambov Power Grid Company
Tver	LLC Unified Power Grid Company
Yaroslavl	OJSC Rybinsk Municipal Power Grid

No. 2 Capitalisation (30.12.2015), RUB mln

MOESK	36,579.0
IDGC of Centre	8,232.5
IDGC of the Urals	8,043.6
IDGC of Centre and Volga Region	7,054.9
Lenenergo	4,857.7
IDGC of Siberia	4,683.9
IDGC of Volga	3,455.5
IDGC of North West	2,624.5
IDGC of North Caucasus	1,908.8
IDGC of South	1,554.1

+2 position by 2014

No. 1 MOEX trading volume (2015), RUB mln

IDGC of Centre	907.5
IDGC of Volga	422.5
Lenenergo, ord	380.8
IDGC of Centre and Volga Region	306.0
MOESK	253.6
Lenenergo, pref	158.3
IDGC of the Urals	153.1
IDGC of North Caucasus	98.7
IDGC of North West	87.9
IDGC of South	81.6
IDGC of Siberia	14.4

+1 position by 2014

No. 2 Dividends (2014), RUB mln

MOESK	2055.4
IDGC of Centre	831.7
IDGC of the Urals	507.1
IDGC of Centre and Volga Region	349.4
IDGC of Siberia	28.4
IDGC of Volga	17.9
IDGC of North West	0.0
Lenenergo	0.0
IDGC of South	0.0
IDGC of North Caucasus	0.0

+5 positions by 2014

Sources:
www.moex.com, Bloomberg, company official websites, RAS statements

KEY FACTORS OF IDGC OF CENTRE'S INVESTMENT ATTRACTIVENESS

Present in 11 regions of Central Russia with stable demand for services

IDGC of Centre holds monopolistic positions and is a key infrastructure company in economically well-developed regions of the European part of Russia.

More details on page 24 of the Annual Report.

Leading positions in the amount of the power grid assets

The Company holds the first place in the length of the electricity transmission line and holds second place in the volume of transformer capacity among other IDGCs.

More details on page 44 of the Annual Report.

Leading positions in the amount of the power grid assets

An S & P credit rating of "BB-" with a "Stable" outlook and balanced debt load confirms the sustainable financial position of the Company.

More details on page 98 of the Annual Report.

Dividend policy and positive dividend history

During the last 5 years, IDGC of Centre has paid dividends, the payments for 2013 and 2014 made up 25% of the net profit under RAS.

More details on page 179 of the Annual Report.

High level of corporate governance

The Company adheres to high standards of corporate governance, which is confirmed by the assessment of independent experts; its corporate governance rating according to RID is NCGR 7+ "Developed practice of corporate governance[1]".

More details on page 128 of the Annual Report.

High information transparency

Proceeding from the results of interviewing representatives from the investment community, the quality of the Company's management transparency and data disclosure are among the Company's advantages.

More details on page 183 of the Annual Report.

Free float 34%

The stocks of IDGC of Centre are traded in the first (higher) listing of MICEX, an index committee highly appreciated in the level of freely traded stocks.

More details on page 174 of the Annual Report.

[1] *In March 2016 the corporate governance rating increased to 7 NCGR++.*

KEY DEVELOPMENT AREAS OF IDGC OF CENTRE

	OPPORTUNITIES	THREATS
EXTERNAL ENVIRONMENT	• A uniform tariff policy. • A state policy aimed at increasing economic efficiency (in terms of energy saving and energy efficiency). • The approval of the Development Strategy for Russia's electricity grids. • The opportunity to expand additional services, including those related to energy savings. • The adoption of Federal Act No.307-FZ, dated November 3, 2015, on the Amendments to Individual Legislative Acts of the Russian Federation for Enhancing the Payment Discipline of Energy Consumers. • The consolidation of electric grid assets in regions of operation, resulting from the adoption of Resolution of the Russian Government No. 184 of February 28, 2015 on assigning the owners of electric power .	• Dependence on the economic situation in the regions and in the country as a whole. • Energy consumption reduction. • 'Last Mile' model disappearance and risk of 'Revenue Shortfall'. • Low payment discipline of sales companies and end users. • Changes in the key rate of the Bank of Russia. • Emergencies, natural disasters. • No legislative procedure of consumer motivation to reduce capacity reserves. • Large volumes of preferential connection to grids.
INTERNAL ENVIRONMENT	• The monopolistic position of the Company in the regions where it operates. • The Company's branches are 'boiler holders' (engaged in boiler tariff setting) in the regions. • A prudent credit policy. • A high credit rating and a positive credit history. • A centralised system of planning and cash flow management of the Company. • Centralised procurement for the main needs of the Company. • A developed system of customer service centres. • Highly-qualified engineers and technicians. • A certified quality management system.	• A large area of service and large distance between facilities; the Company has higher maintenance costs, and needs more time to eliminate accidents. • A high degree of wear on power grid facilities. • Uneven equipment load within the area of service. • Accounts receivable, the need of reserves provision.

DEVELOPMENT BY STRATEGIC PRIORITIES

The mission of IDGC of Centre shows the main expectations of the interested key parties of the Company.

MISSION

To ensure a reliable and high-quality supply of electricity in order to meet the growing needs of the economy and the social sector at tariffs that are economically justifiable for the services provided.

STAKEHOLDERS	EXPECTATIONS
Investment Community	The Company is a tool for making investments to ensure their payback, reliability, profitability, and liquidity.
Consumers	The Company is aimed at the high quality provision of services, high quality and reliable power supply, timely and transparent grid connection.
Regions and local authorities	The Company ensures the economic needs of transmission capacities, and is a reliable partner for the executive authorities of the Russian subjects in planning and implementing the regional programmes of territorial development; the Company is a diligent taxpayer and employer.
Employees	It is an efficiently organised Company, which has a transparent and clear corporate governance system, and is a diligent employer that provides opportunities for the maximum development of the employees' potential.

STRATEGIC GOALS

The key features of IDGC of Centre's strategic development are outlined by the strategic targets of the Russian power sector development and are approved by the Russian Government:

- Energy Strategy 2030 of November 13, 2009 No. 1715-r;
- Development Strategy for Russia's Power Grid Complex for the Period until 2030 from April 3, 2013 No. 511-r (hereinafter, the PGC Strategy).

Adopted in 2009

2030 ENERGY STRATEGY

Adopted in 2013

PGC STRATEGY

STRATEGIC GOALS OF IDGC OF CENTRE

Improvement of reliability and quality of power supply to the level meeting the customer requirements	Improvement of power supply reliability	Improvement of efficiency of power grid complex	Reduction of the number of regional grid organisations
• Implementation of Reliability Programme. • Reduction of the grid wear. • Implementation of uniform technical policy of distribution grid complex. • Improvement of customer service level.	• Implementation of Company Personnel Injury Risk Reduction Programme. • Implementation of programme for reduction of third party injury risks in the Company facilities.	• Improvement of efficiency of investments. • Energy saving and loss reduction. • Improvement of efficiency of OPEX.	• Implementation of power grid asset consolidation programme.

THE COMPANY'S RESULTS IN 2015 BY STRATEGIC PRIORITY

To increase the efficiency of the power grid complex

15 %
the planned increase of the investment efficiency in 2015

FOR INVESTMENT EFFICIENCY IMPROVEMENT:

- The capital investments amounted to RUB 12,973 mln and were allocated to:
  - Technical renovation and reconstruction (45%);
  - New construction (54%).
- In 2015, the planned increase of the investment efficiency total to 15%, or RUB 2,703 mln was achieved.
- The actual load of production facilities in 2015 amounted to 36%, which is a 16.3% increase, compared to the projected plan.
- The following actions were made to reduce specific investment costs:
  - While planning the investment programme and reporting on its implementation, the commissioning of electricity transmission lines and power substations are specified separately;
  - Regarding the development of the investment projects' cost, the procedure for the approval of the cost of investment projects to be made before the procurement procedures, was introduced.
- Economic efficiency improved significantly proceeding from the results of purchases: proceeding from results of the reporting year, the economic effect was 6.1%, or RUB 1,793.1 mln, excluding VAT.
- Most of the purchases are public: the share of public procurement procedure in total purchases is 96.1% from total number of completed purchases. The share of purchases from a single source in 2015 was insignificant, i.e. 0.9%.
- Half (50%) of all purchases are made from small and medium businesses.

FOR ENERGY SAVING AND THE REDUCTION OF LOSSES:

- Losses amounted to 9.35% from the supply to the grid (in 2014: 9.49% in comparable conditions). The plan of energy losses reduction (in natural values) was achieved by 110%.
- The technological effect of the energy loss reduction activities amounted to 164 mln kWh; the economic effect amounted to RUB 456 mln.
- 5.061 thousand metering points were modernised; the total costs amounted to RUB 75.001 mln. Remote data collection from 4,892 of these metering points was arranged, compared to the plan of 7,299 these points.
- For power consumption without agreements, 2,570 acts were compiled and paid for in a total of 20.71 mln kWh. The payments to the Company amounted to RUB 58.32 mln, without VAT.
- For power consumption without metering, 9,107 acts were made for total of 79.78 mln kWh. The volume of services provided covered 9,001 acts for 63.90 mln kWh and for total of RUB 123.57 mln.

FOR OPERATING COSTS EFFICIENCY IMPROVEMENT:

- The reduction of controllable operating costs amounted to RUB 3,444 mln, or 20.8% compared to 2012.
- The reduction of specific operating costs amounted to RUB 1,719 mln, or 8.5% compared to 2014.

To enhance the safety of power supply

2.7 times
decreased the third party injury rate compared to 2014

- The number of production injuries decreased 2.5 times compared to 2014, and 3.5 times compared to 2013. The Company invested RUB 468.7 mln in labour safety activities.
- The third party injury rate decreased 2.7 times compared to 2014. The expenses for the implementation of a Programme for third party injuries risk reduction on IDGC of Centre's sites amounted to RUB 549.8 mln.

To improve the reliability and the quality of power supply

19.5 %
was reduced number of technological violations compared to 2014

- Number of technological violations was reduced by 19.5% compared to 2014. The specific failure rate was reduced by 21.8%. The number of repeated transformer shutdowns (35-110 kV) reduced by almost two times.
- The automated production assets management system functions successfully.
- The planned targets of the Repair Programme were met, in particular, 18.5 thous. km of electricity transmission lines, 189 power substations and 4.8 thous. transformer stations were repaired.
- The Company is ready and has required human resources for emergency and repair works, thus resulting in the prevention of large-scale electricity shutdowns due to technological violations:
  - 1,441 emergency and repair crews were created;
  - An emergency backup of the main process equipment was created for total of RUB 691 mln, as well as backup power supply units;
  - Cooperation agreements were made with 36 subcontractors for emergency and repair works.
- The replacement of outdated equipment and equipment in unsuitable or unsatisfactory technical condition continued: 45% of investments in 2015 were allocated for retrofitting and renovation.
- The Company achieved its targets for reliability and quality of services provided, based on the results of the assessment made in 2015.
- A system of appointments for consumers visiting customer service offices was introduced.
- An sms-informing service about the execution of applications for grid connection, as well as for informing about planned and emergency repair work, including power outages and the need to replace metering devices, was introduced.
- A pilot project for the development of the additional service “GC assistance” (grid connection) was implemented in branches Voronezhenergo and Kurskenergo.

To reduce the number of territorial grid companies

25,068 c.u.
amounted the volume of consolidated power grid assets

- Preparatory activities to “take over” grid assets of certain territorial grid companies, which do not comply with criteria for territorial grid companies, were implemented.
- Several important power grid facilities were procured in the regions of the Company’s operations for total of 2.1 thou. c.u.
- The volume of consolidated power grid assets amounted to 25,068 c.u.

CONSOLIDATION OF POWER GRID ASSETS

PRIORITIES AND THE ROLE OF CONSOLIDATION IN THE REGIONS OF OPERATION

One of the strategic priorities of IDGC of Centre is to reduce the level of inconsistency in territorial grid companies (TGC) and increase the control of such companies.

The integration of power grid assets is supported by the Ministry of Energy of the Russian Federation and is extremely important for the creation of a unified power grid area and a unified centre of responsibility for high-quality and reliable power supply to consumers.

As a large power grid company, IDGC of Centre has vast material resources and experience in emergency and repair works and has the ability to relocate the resources and devices within the regions of its presence. Another positive aim of the integration of the regional power system is to simplify the synchronisation process of power grid development plans with territorial development plans. This will contribute to the development of long-term investment programmes in order to meet the needs of investors, developers, businesses and the population. All of these events will directly contribute to the improvement of power system efficiency. The pace of this consolidation will directly affect the development of the regional power industry, and subsequently the economy, industry and the social sphere.

THE STRATEGY AIMS TO REDUCE TERRITORIAL GRID COMPANIES IN TWO STAGES:
1. 50% reduction by 2017 compared to 2012.
2. 50% reduction by 2030 compared to 2017.

THE MAIN CONSOLIDATION ACTIVITIES WERE AS FOLLOWS

Cooperation with municipal and regional executive authorities

The Company is closely cooperating with local bodies and authorities of the Russian Federation in the regions where it operates. The Company takes part in joint working teams and is actively working on the consolidation of municipal and regional power grid assets.

Working with uncontrolled power grids facilities

Uncontrolled operation of grids reduces the reliability of all grids in the region. Therefore, activities were carried out to identify uncontrolled assets in the power industry and to address the authorities in order to ensure the appropriate operation of such assets.

Consolidation of territorial grid companies

Consolidation of power grids assets controlled by independent territorial grids companies is provided to increase the market share of power transmission and distribution in the regions where the Company operates.

The activities performed are set in the Power Grid Assets Consolidation.

Programme approved by the Company's Board of Directors. The Programme defines the key consolidation parameters (the volume of power grid facilities in c.u., capacity and length of consolidated facilities), the amount of investments and the schedule of implementation.

Activities to "take over" the power grid assets of territorial grid companies which do not meet the criteria for territorial grid companies

Owners of power grid facilities are referred to as territorial grid companies according to the criteria approved by Resolution of the Russian Government No.184 of February 28, 2015. These criteria are binding for all grid companies if their costs are included into the regional "boiler" tariff.

In 2015, the number of territorial grid companies in the regions where IDGC of Centre operates decreased by 8.6%: from 336 to 307. The tariff rate for 2016 was set for 165 territorial grid companies (not including the branches of the Company).

After the criteria were approved, lists of territorial grid companies were prepared of companies that might not comply with the criteria for referring the owners of power grid facilities as territorial grid companies. The facilities that are of interest for IDGC of Centre from the point of consolidation were defined, and proposals to consolidate the power grid assets were sent to these territorial grid companies.

Negotiations were carried out with some territorial grid companies concerning the potential consolidation of their power grid assets, wherein the technical and economic efficiency of such a consolidation was considered. Lease contracts for the power grid property were executed for the assets located within the territory of the Smolenskenergo, Kurskenergo and Orelenergo branches. The volume of consolidated assets totalled to: thetransformers' capacity at 4 MVA, the length of transmission lines at 39 km and the volume of power grid facilities at 184 c.u.

ADVANTAGES OF CONSOLIDATION

Using a unified technical policy in the regions of operation. Developing a unified scheme of perspective electric grid development

The implementation of unified standards and principles related to equipment operation which will: set the managerial, technical and organisational activities for the short and long run, based on the best technological solutions used by the leading equipment manufacturers; reduce the maintenance costs significantly; and improve the reliability of power supply to consumers.

Enhancing the pass-through capacity of the grids

- Optimisation of the schemes of power supply to consumers depending on the type of consumers and mutual power supply redundancy from various power supply centres.
- Introduction of unified principles for a definition of technical capacity for the consumer's connection to the grids.

Improving the reliability of power supply for all types of consumers

- Defining "bottlenecks" areas based on the results of a technical audit, developing comprehensive synchronised programmes for the improvement of the reliability of power supply to consumers.
- Creating a united centre responsible for the reliable operation of the power grids complex.
- Excluding related grid organisations.
- Creating a united dispatch service in order to make emergency and failure elimination quicker.
- Solving issues related to the uncontrolled operation of grids.
- Ensuring the operation of the power grid complex that will be consistent and transparent for the authorities and consumers.

Ensuring the transparency of TGC operations in order to improve power transmission service tariffs and tariffs for connection to grids

Optimisation of costs and elimination of unreasonable or excessive costs from the territorial grid companies' RGR will contribute to the reduction of tariff growth for end consumers.
Simplification of the regulation procedure.

Reducing the losses of power grid compensation costs

- Installation of metering devices for consumers, including AMR for the residential sector.
- Implementation of power saving activities.
- Automation and telemechanisation of electric grids, using remote devices for grid failure detection, troubleshooting and failure elimination.

Optimising the maintenance costs of electric grids

- Using a cost management programme.
- Implementation of developed projects for the reduction of administrative and production costs.
- Optimisation of the organisational structure and control dispatch system.

Ensuring the concentration of material and financial resources

- Reduction of long-term and overdue accounts receivable
- Optimisation of the balance structure.
- Improvement and automation of budget management procedures.
- Arranging costs standardisation based on benchmarking.
- Development of an efficient outsourcing policy.
- Implementation of an assets efficiency improvement programme.
- Unified procurement procedures.

PROGRAMME OF POWER GRID ASSETS CONSOLIDATION

The planning of activities for the consolidation of and setting target indicators for power grid assets are performed in accordance with the Power Grid Assets Consolidation Programme of IDGC of Centre through 2011–2015 (hereinafter, the PCPGA). The PCPGA was approved by the Board of Directors in 2011 (Minutes No. 21/11 of October 3, 2011). Its indicators were revised in 2013 (Minutes No. 25/13 of November 01, 2013). The PCPGA is implemented under the Company's Investment Programme and Business Plan.

The largest facilities purchased in 2015:

Power grid complex in the city of Rylsk in the Kursk Region.

Before its procurement, the branch of Kurskenergo leased the power grid complex. The property belonged to the Municipal Enterprise "City of Rylsk" in the Rylsk District of the Kursk Region.

The complex comprises: Closed transformer substation – 10/0.4 kV – 29 ps, Package transformer substation – 10/0.4 kV – 20 ps, Distribution substation-10 kV –1 ps, Conductor – 10/0.4 kV, Cable – 10/0.4 kV with total length of 119.1 km. Total volume of power grid facilities is 568.9 c.u.

According to the Company's estimation, a positive economic effect shall be received as a result of this procurement. IRR is 18.5%.

Power grid assets in the Uglich municipal district of the Yaroslavl Region.

Before the procurement, the facilities were in the Company's long-term lease. The Uglich municipal district in the Yaroslavl Region owned the property.

The purchased assets include: 250 km power grids and 67 transformer substations with total capacity of 32.4 MVA, providing power supply to the city of Uglich. The volume of power grid facilities purchased is 1,527 c.u. IRR is 15.5%.

Therefore, the total market share of regional electricity transmission of IDGC of Centre in the Yaroslavl Region amounted to 86.8% in 2015.

Main indicators of the PGACP

Period	Capacity	Length	Volume of power grid facilities	Volume of financing
2011–2015	6,641 MVA	40,891 km	322 312 c.u.	11,948 RUB mln

RESULTS OF CONSOLIDATION IN 2015

The consolidation results per the Company's branches are shown in Appendix 2.1 of the Annual Report.

Results of power grid assets consolidation in 2015	MVA	km	c.u.
Purchasing power of grid facilities	49	369	2,096
Lease of power at grid facilities	526	3,667	19,796
Other (permanent ownership and usage rights)	64	940	3,163
Other (temporary ownership and usage rights)	0	6	13
Total	638	4,982	25,068

KEY PERFORMANCE INDICATORS

The achievement of IDGC of Centre's priority development targets is evaluated by a system of Key Performance Indicators (hereinafter, KPI) used by the Company.
Starting from 2015, the list of KPIs was changed significantly; these new indicators take into account the priorities set in the Strategy of power grid complex development and are associated with the instructions given by the Russian Government. For instance, the KPI target values for 2015 take into consideration the Company's need to reduce its specific operating costs in 2017 by at least 15% compared to 2012, specifically investment costs, which need to be reduced by at least 30%, and electric power losses which need to be reduced by 11% compared to 2012.

The system of KPIs shows the achievement of the following targets:

- Improvement the reliability and the quality of power supply;
- Enhancement of the safety of power supply;
- Reduction of investment and operating costs;
- Implementation of the investment programme.

The applied KPI system is used as a basis of motivation for the Company's General Director and management: a variable part of remuneration depends on the achievement of these set KPIs. For each KPI, its contribution is defined by the payments of bonuses, and quarterly and annual remuneration is paid if only all specified KPI have been achieved.
The KPI of the General Director and its target values are set on an annual basis by the Company's Board of Directors according to item 53) Cl. 15.1 Article 15 of the Company's Articles of Association. The targets for 2015 were defined by the Board of Directors on February 26, 2015 (Minutes No. 03/15 of February 27, 2015), item No. 5 on "Approving the Methodology for the Calculation and Evaluation of the Implementation of the Key Performance Indicators of General Director of IDGC of Centre".

Data on the KPIs implementation is available on the Company's website.

The following list of KPI and target values were set for 2015

ANNUAL KPI	TARGET VALUE FOR 2015
Total Shareholder Return (TSR)	≥ average value of the indicator for companies included in the MICEX PWR Index at the end of the reporting period, or ≥ average value of the indicator for last three years preceding the reporting one
Return on Invested Capital (ROIC)	≥ 0.9
Reduction of unit operating expenses	≥ as approved in the business plan
Level of electric energy losses	≤ as approved in the business plan
Achieving the level of reliability of services provided	1
Reduction of unit investment expenditures	≥ 15%
Implementation of a facility commissioning schedule	≥ 95%
Compliance with a grid connection deadline	≤ 1.1
Workforce productivity	≥ as approved in the business plan

QUARTERLY KPI	TARGET VALUE FOR 2015
Not any increases in the number of major failures	No increase
Preventing the growth of the number of victims in accidents	No increase
Business solvency indicator – debt to equity ratio	≤ 1.5 or values on the business plan (taking into account the solvency group)

[1] *The power grid complex development strategy was approved by Resolution of the Russian Government No. 511-r on April 3, 2013.*

QUALITY MANAGEMENT SYSTEM

The Company has 9 business services and 20 business processes, all of which can be classified into 6 categories – special management systems.

MANAGEMENT SYSTEM OF IDGC OF CENTRE

Performance of processes and services are evaluated based on the target indicators:

- proceeding from results of the year (target values),
- proceeding from results of the quarter (performance indicators),
- proceeding from results of the month (status indicators).

Plans for QMS development through 2016-2017:

- an inspection audit to confirm the validity of the ISO 9001:2008 certificate;
- certification of Energy Management System compliance with ISO 50001:2011;
- introduction of professional standards;
- switching to the new version of ISO 9001:2015 (including certification);
- integration of the Risk Management System with the Quality Management System.

Target management subsystems

- GROWTH AND TRANSFORMATION
- FINANCE
- CUSTOMERS
- MAIN BUSINESS PROCESSES
- MANAGEMENT SYSTEM
- PERSONNEL
- BUSINESS SERVICES

The Quality Management System of IDGC of Centre (hereinafter, QMS) is based on the compliance to the international standard ISO9001:2008 and was certified by the international certification authority BSI (Certificate No. FS 513378). In addition to this, IDGC of Centre acts in accordance with the Quality Policy, setting the main principles of the Company's operations.

In 2015, the Company successfully passed an inspection audit of the Quality Management System to confirm the efficiency of the QMS's functionality.

Furthermore, in the reporting year, the Energy Management System was introduced, which is apart of the Company's overall management system. A project for the preparation of a certification for compliance with ISO 50001:2011 "Energy management systems – Requirements with guidance for use" was started.

BOARD OF DIRECTORS'S REPORT ON PRIORITY AREAS

Business processes

- Corporate Governance
- Property management

- Business planning management
- Financial management

- Grid connection services
- Power transmission services sale
- Sale of additional services
- Customer relations management

- Power distribution
- Maintenance, repair and replacement
- Inspection
- Operational and process management
- Electric power quality management
- Metrology support
- Long-term and technical development management
- Investment governance
- Energy saving and energy efficiency improvement management
- Operational safety management

- Information resources and technology management
- Management system governance

- HR Management

- Protocol event management
- Document management
- Legal support
- Security
- Logistics and material management
- Administrative support
- Procurement management
- Information policy management
- Accounting, tax and reporting, IFRS management

In 2015, the IDGC of Centre's Board of Directors set the activities for the centralisation and automation of treasury functions as a priority area for operations (Board of Directors of March 13, 2015, Minutes No. 05/15 of March 16, 2015).

The creation of a unified treasury in state-owned companies and their subsidiaries was a goal set by Resolutions of the President of the Russian Federation (No. Pr-1032 of May 7, 2014), Government of the Russian Federation (No. ISh-P13-3464 of May 13, 2014) and Directive of the Government of the Russian Federation (No. 5110p-P13 of August 8, 2014). Rosseti and IDGC of Centre created special working teams in order to arrange the works and to implement the activities required for creation of the Unified Treasury.

In order to achieve the set goal, IDGC of Centre implements the pilot projects of information infrastructure to enhance the functions of the Unified treasury on a phased basis.

Documents regulating the interaction of the Unified Treasury of Rosseti and IDGC of Centre were developed and approved by the Board of Directors (Minutes No. 13/15 of June 24, 2015): Regulations of payments to and from IDGC of Centre and the Regulations of IDGC of Centre on internal financing.

Since July 1, 2015, IDGC of Centre has operated under the unified automated management system of Rosseti Group's treasury operations.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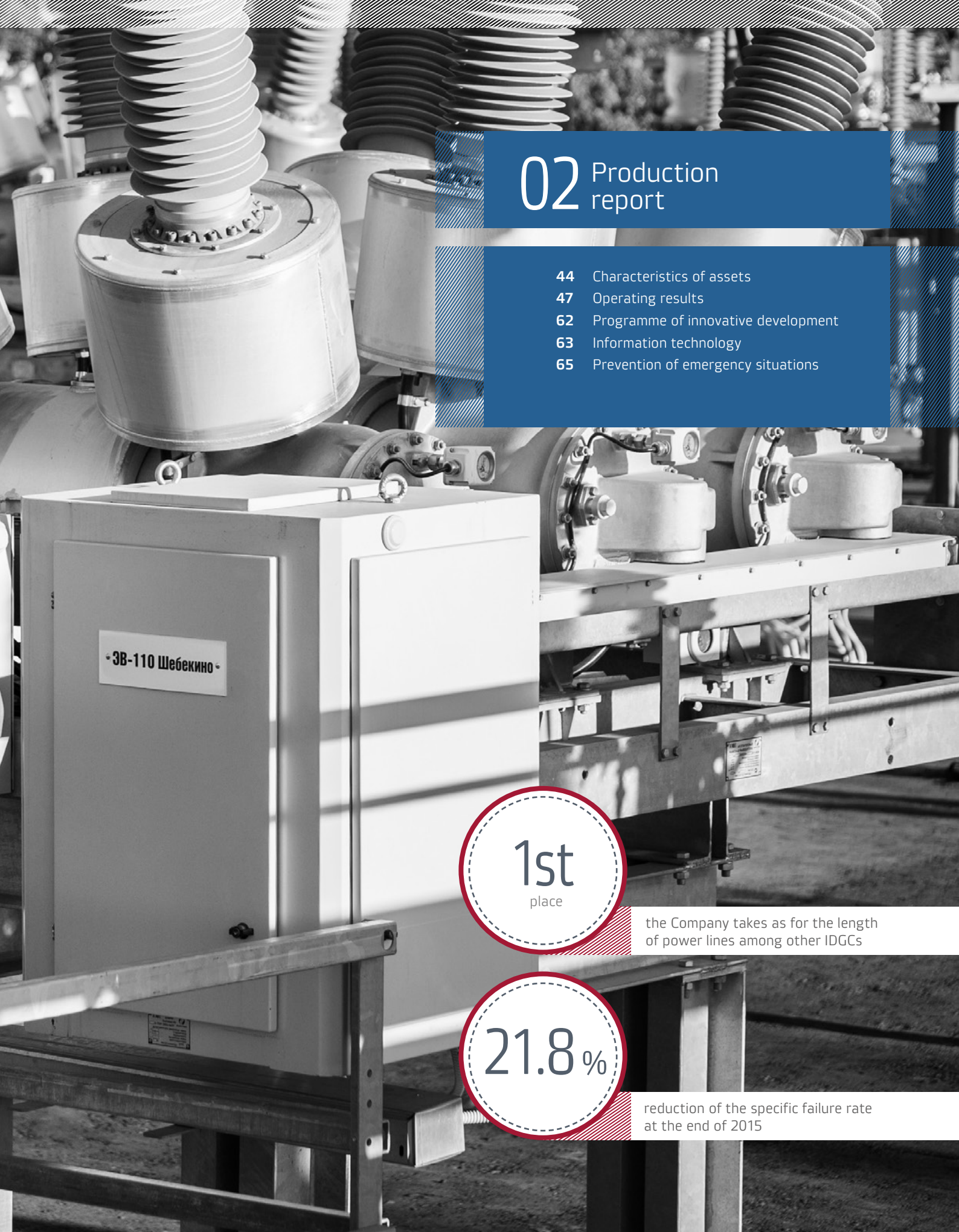
в ст. ЗВ



02 Production report

1st place

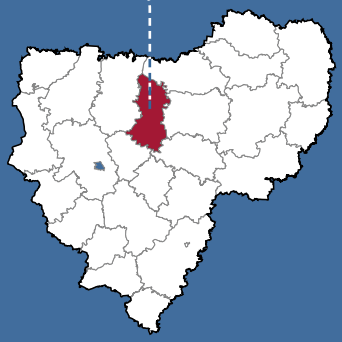
the Company takes as for the length of power lines among other IDGCs

21.8%

reduction of the specific failure rate at the end of 2015

USING THE DIGITAL TECHNOLOGIES WITH APPLICATION OF IEC 61850

YARTSEVSKY DISTRICT,
SMOLENSK REGION



The project of automation of the substation 110/10 kV "Yartsevo-2", including relay protection and automation equipment, data collection and exchange systems which comply with IEC 61850 "Communication Networks and Systems in Substations", was completed at the Smolenskenergo branch.

The auxiliary IEC 61850-compliant equipment was implemented at Yartsevo-2 without being backed up by conventional protection devices based on microprocessor (for new facilities) or electric devices (for existing facilities).

For the collection of data, the processing, displaying and the exchange of up-to-date data collection, an exchnage system, which was installed in the station control room along with the industrial PC, was used as an automated working station for the protection engineer.

This system may process up to 5 thou. signals, and exchange information with higher levels of the dispatch control system in up to 16 directions. A large set of standard protocols for data collection and exchnage allows for the integration of up to 200 lower level devices (relay protection terminals or other devices). In addition to this, the interlocking of real time commutation devices is provided.

The implementation of this project enabled us to:

- *Get experience in the designing of projects, installation and commissioning of such equipment.*
- *Define further perspectives for the project development as a site for the installation of IEC 61850-compliant primary equipment; and to define some requirements for this equipment.*
- *Improve the reliability of power supply to customers.*
- *Improve the culture and safety of the facility's maintenance by operating staff.*
- *Improve the efficiency of designing projects, construction, installation and commissioning works by unifying the devices and reducing the number of cable connections.*
- *Ensure telemetric information exchange with a higher level of dispatch control with the application of two digital data exchange channels – optic and satellite channels.*

RECONSTRUCTION AND AUTOMATION OF THE 35 KV GRIDS USING SIMPLIFIED TECHNICAL SOLUTIONS BASED ON STANDALONE COMMUTATION DEVICES (RECLOSERS) 35 KV

In 2015, the Company successfully implemented several projects for the installation of 35 kV switching devices (reclosers) at overhead lines and substations.
This installed innovative equipment has a current and voltage measuring system embedded in the recloser, which together with supplied control and emergency protection cabinets (adjusted during production), enabled the Company to minimise the time used to design projects and installation works. In addition to this, a folder with typical technical solutions for metal structures was created to simplify the design of projects and adaptation at the existing power facilities.

The introduction of reclosers helps to improve the reliability of power supply to customers. The Company considers the automation and controllability of the 10-35 kV grids as the first stage of implementing IDGC of Centre's comprehensive projects for the creation of intelligent grids (Smart Grid).

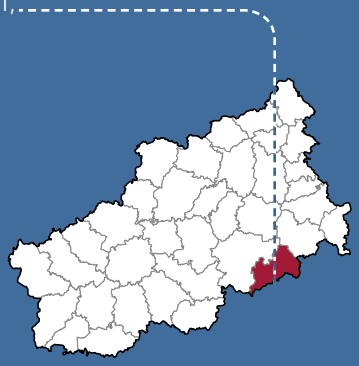
CONSTRUCTION OF 0.4 KV OVERHEAD POWER TRANSMISSION LINES WITH STEEL MULTISIDED POLES

In 2015, a pilot operation of 0.4 kV steel-anchor multisided poles, which were developed by the Company, was successfully completed. Their application is aimed at reducing logistic and labour costs in the construction of distribution grids, the improvement of power supply reliability to customers and its safety, which is especially important for overhead lines in residential areas.

These steel multisided poles resulted in a reduction of capital expenses by 20%. This development was patented by the Company, and the solution was added to Rosseti's Register of Innovations.

TRAINING CENTRE ON THE BASIS OF THE ENERGY COLLEGE – NATIONAL RESEARCH UNIVERSITY "MPEI" BRANCH IN THE CITY OF KONAKOVO

KONAKOVSKY DISTRICT, TVER REGION



The creation of the training centre (laboratory) became the next step in implementing the preparation plan for specialists under the Cooperation Agreement between IDGC of Centre and National Research University "MPEI".

The centre will be used for training practical knowledge students receive from the educational institution. Practical training at the centre will be created for the following disciplines: labour safety, the electrical equipment maintenance of power grids, monitoring processes and control, the diagnostics of the status of power grid equipment with works provision for one or two specialisations.

In 2015, the second site of the training centre was launched: a training laboratory with a substation and distribution grid equipment.

The project was implemented with the assistance of a large number of production companies that supplied their equipment on a cost free basis. This partnership resulted in the provision of up-to-date panels with short-circuit indicators, panels with 35 kV and 10 kV circuit breakers, a panel with a 10 kV molded phase-insulated wire, and other templates of up-to-date electrical equipment.

CREATING 6-10/0.4 KV POWER GRIDS WITH THE APPLICATION OF A POLE-MOUNTED TRANSFORMER SUBSTATION

In 2015, IDGC of Centre adopted the Guidelines on creating 0.4-10 kV power grids using the pole-mounted 6-10/0.4 kV transformer substations.

The following requirements were developed for the design of a pole-mounted transformer substation:

- Requirements for insulation were enhanced, resulting in an increase in the life cycle of a pole-mounted transformer up to 30+ years within a 10-year failure-free operation lifespan;
- Heat-shrunk insulation and special covers for transformer taps are provided;
- On the 0.4 kV side of a pole-mounted transformer substation, a mast switch (load breaker) – a panel with an automated circuit breaker and a device section for data collection and exchange of the electric energy metering system – was installed.

The cost of the design was reduced by installing voltage surge suppression devices that have a different design from conventional power transformers on the tank cover. The scheme of transformer substation connection to power grids was revised.

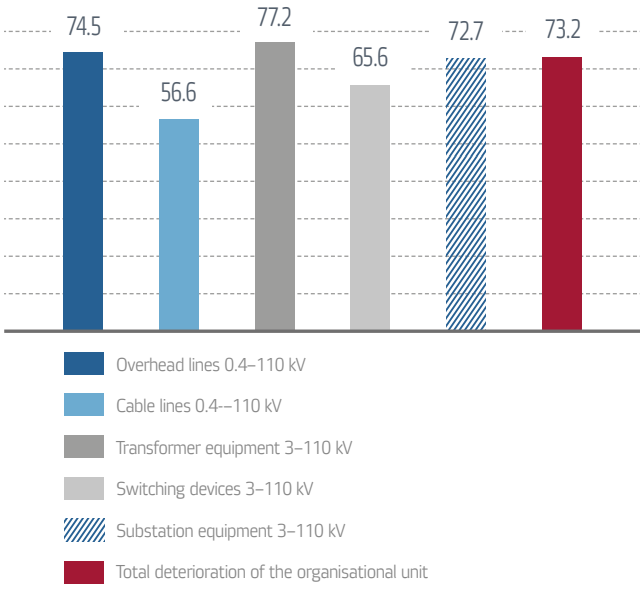
All branches of IDGC of Centre plan to use pole-mounted transformer substations in the connection of new consumers and during the scheduled renovation of 0.4 kV grids. In 2015, 30 of these newly designed pole-mounted transformer substations were installed in several of the Company's branches.

CHARACTERISTICS OF ASSETS

Assets controlled by IDGC of Centre[1]

Asset Name	Unit	2013	2014	2015
Substations, 0.4–110 kV	pcs	96,849	98,288	100,545
Installed capacity	MVA	51,312	52,008	53,674
SS 35-110 kV	pcs	2,359	2,363	2,372
	MVA	33,562	33,936	34,243
SS 6-35/0.4 kV	pcs	94,490	95,925	98,173
	MVA	17,749	18,072	19,431
Transformer substations, 6-10/0.4 kV	pcs	93,793	95,183	97,336
	MVA	17,227	17,592	19,013
Distribution points, 6–10 kV	pcs	697	742	837
	MVA	522	479	418
Overhead lines ROW length, 0.4–110kV	km	378,118	379,144	382,540
Conductors, 110 kV and more	km	21,596	21,601	21,638
Conductors, 35 kV	km	30,378	30,390	30,388
Conductors, 6–10 kV	km	170,645	171,230	171,822
Conductors, 0.4 kV	km	155,498	155,923	158,692
Cable lines length, 0.4–110 kV	km	13,846	14,259	17,156
Cables, 110 kV and above	km	35	36	36
Cables, 35 kV	km	20	26	26
Cables, 6–10 kV	km	7,322	7,552	9,142
Cables, 0.4 kV	km	6,469	6,645	7,952

Wear rate of electric grid facilities of IDGC of Centre,%



The level of deterioration at IDGC of Centre electric grid facilities belonging to IDGC of Centre did not change compared to the previous reporting period and amounted to 73.2% (as at December 31, 2015).

When calculating the assets' deterioration level, the lifespan of the facilities is taken in consideration:

- 25 years for substations and cable lines;
- 35 years for overhead lines.

[1] *Including the lease of and equipment serviced under the contracts.*

Reliability of fixed assets

Item	Unit	2013	2014	2015	Deviation 2015/2014 Abs.	Deviation 2015/2014 %
Errors by employees	pcs	13	8	1	–7	–87.5
Number of repeated trips of transformers of 35–110 kV	pcs	257	199	102	–97	–48.7
Average time of power supply interruptions (for feeders of 6–110 kV)	hours	3.18	1.53	1.72	0.19	12.4

Specific failure rate

Item	Unit	2013	2014	2015	Deviation 2015/2014 Abs.	Deviation 2015/2014 %
Number of process violations	pcs	29,265	20,797	16,736	–4,061	–19.5
Specific failure rate	pcs per 1,000 units of equipment	18.1	12.4	9.7	–2.7	–21.8

To ensure the operational reliability of its power grid facilities, IDGC of Centre has implemented the following actions:

- An Automated Production Assets Management System was deployed and is currently in use (hereinafter, the PAMS). More details on the Assets Management System are shown in the Company's Annual Report for 2014.
- Power capacities are renovated using innovative equipment.
- A multi-year special reliability programme is implemented.
- To minimise the consequences of equipment failures, all of the Company's production facilities were insured.

In addition to ensuring efficient operations, the Company implements its Repair Programme and performs preparatory works for operation during the winter-autumn season.

The technical state of the Company's assets and the quality of the management of power grid facilities influences the reliability of the performance of the power grid complex within the territory where IDGC of Centre's operates, and the quality of the Company's electricity transmission services.

REPAIR PROGRAMME

IDGC of Centre's Repair Programme was developed based on prospective (multi-year) schedules of power grid facilities repair, with consideration for equipment priorities, according to the technical state of the Company's power grid facilities and the consequences of their failure for consumers. The Programme includes the repair of main and auxiliary equipment, including clearing the electricity transmission line right-of-way from trees and bushes, the repair and construction of buildings and motor transportation. The Programme's planned indicators are approved on an annual basis by the Board of Directors, and are outlined in the Company's Business Plan.

In 2015, several of the Programme's activities were carried out in excess of target values due to the provision of additional activities completed for in preparation for the 2015-2016 autumn-winter season, including: the implementation of the supervisory authorities' instructions, and the implementation of emergency and repair works. The Company's specialists performed repairs on up to 18.5 km of power lines, 189 substations and on up to 4.8 transformer substations. The expenses for implementing the Programme amounted to over RUB 2 bn.

1,966.7 RUB mln

Expenses for the implementation of the Repair Programme in 2015

Results of implementing the Repair Programme in 2015

Indicator	Unit	Plan 2015	Actual 2015
Repairing the main equipment			
Power lines 35–110 kV	km	5,695.6	5,791.5
SS 35–110 kV	pcs	189	189
Power lines 0.4–10 kV	km	11,781.3	12,741.3
TS 6–10/0.4 kV	pcs.	4,119	4,760
Right-of-way clearing			
Conductors, 35–110 kV	hectares	6,055.2	6,151.2
Conductors, 0.4–10 kV	hectares	8,375.2	8,511.9
Costs			
Total costs	RUB mln	1,921.6	1,966.7
including main areas:			
Power lines 35–110 kV	RUB mln	112.2	118.2
SS 35–110 kV	RUB mln	299.4	309.0
Grids 0.4–10 kV	RUB mln	864.2	872.3
Right-of-way clearing, 0.4–110 kV	RUB mln	227.0	231.5

OPERATING RESULTS

ELECTRIC ENERGY TRANSMISSION

THE VOLUME OF SERVICES PROVIDED

In 2015, IDGC of Centre's market share in the electric energy transmission market amounted to 86.0%[1]. The electric energy transmission services are state-regulated by setting tariffs.

The amount of electricity transmission services provided, mln kWh

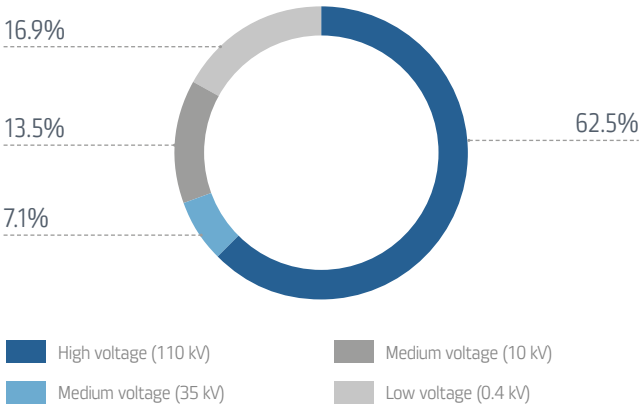
Indicator	2013	2014	2015	Variance 2015/2014	
				mln kWh	%
Electricity supply to the grid	63,646.4	62,802.4	62,556.3	–246.0	–0.4
Net electricity supply (within the balance participation of the Company's branches)	57,814.3	57,045.1	56,706.0	–339.1	–0.6
Electrical losses	5,832.1	5,757.3	5,850.3	93.1	1.6
Amount of electricity transmission services provided	55,214.2	54,398.8	54,782.5	383.7	0.7

The amount of electricity transmission services provided by IDGC of Centre in 2015 increased by 383.7 mln kWh, or 0.7%, compared to 2014. The main reasons for the growth in the volume of services provided are a result of the growth of energy consumption by certain consumers in the Kurskenergo, Smolenskenergo and Yarenergo branches, and changes made to the "boiler" scheme in the branch of the Bryanskenergo region.

The amount of grid power supply to consumers and to related territorial grid companies within the balance and operational responsibility of IDGC of Centre in 2015 was 56,706 mln kWh, which is lower than the level of 2014 (57,045.1 mln kWh) by 339.1 mln kWh, or 0.6%. This decrease is a result of the termination of the agreements for "last mile" facilities , and a result of the reduction of power consumption volumes by Branches of Russian Railways JSC, Novolipetsk Metallurgical Works, Lipetskcement, Stoylensky GOK LLC, and Belgorodsky Cement. In addition to this, the elimination of power losses at Yargorelectroset in net power supply volumes occurred due to the integration of this subsidiary's power grid assets, starting from January 1, 2015.

Most of the net electricity supply structure belongs to the supply of electricity to grids, 110 kV – accounting for 62.5% of the total net electricity supply from the grid. Industrial companies account for 50% of total net electricity supply, 110 kV. The supply of electricity to territorial grid companies amounted to 35.9%.

Structure of useful power supply, by voltage level, in 2015

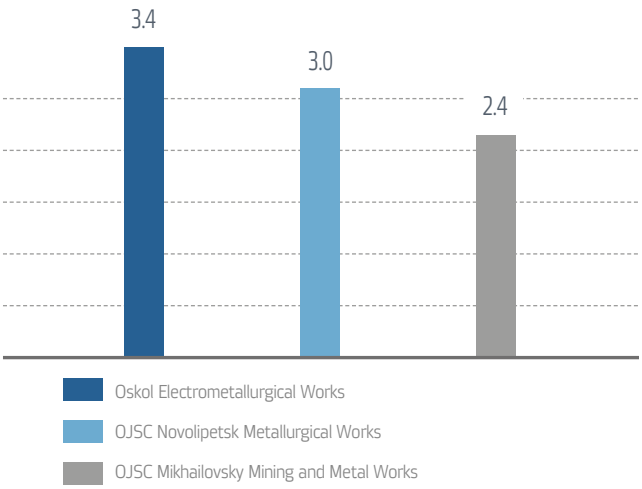


Electricity transmission indicators by the Company's branches are shown in Appendix 3.2 to the Annual Report.

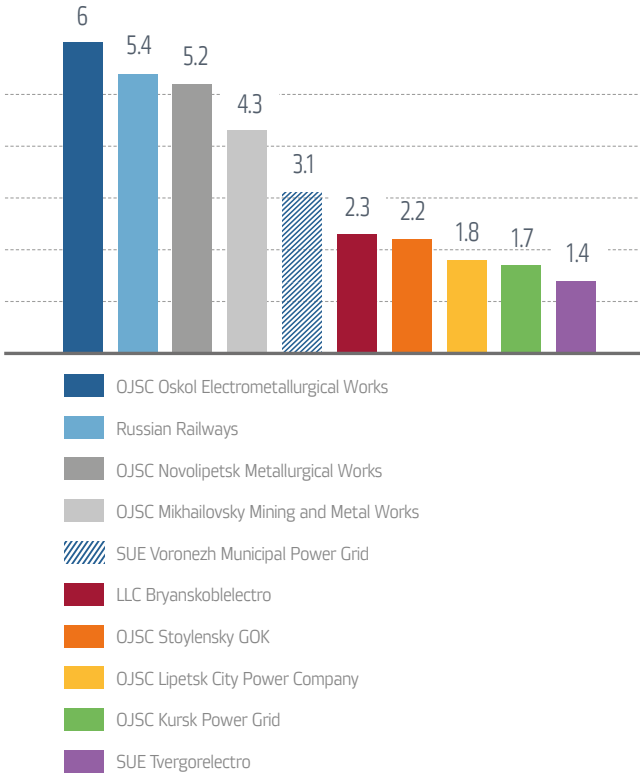
[1] *The market share in 2015 is calculated based on the share of the required gross revenue of IDGC of Centre and regions. In annual reports from the previous periods, the calculation was made based on the share of revenues for the services provided.*

[2] *Detailed information on the "last mile" contract is shown in the Company's Annual Report for 2014.*

Large Consumers of the High Voltage Sector, bn kWh



Grid electricity consumption from IDGC of Centre by the ten largest consumers in 2015,%



33.0 %
share of useful power supply to the 10 largest customers

19,084 mln kWh
volume of consumption for the 10 largest customers

Compared to 2014, there has been a 3.9% decrease in high voltage electricity consumption, particularly due to the exclusion of the amount of electricity transmitted to the "last mile" facilities from the balance sheet: from 36,831.5 mln kWh in 2014 to 35,411.7 mln kWh in 2015.

Moreover, this reduction is due to lowered production by the following large customers:

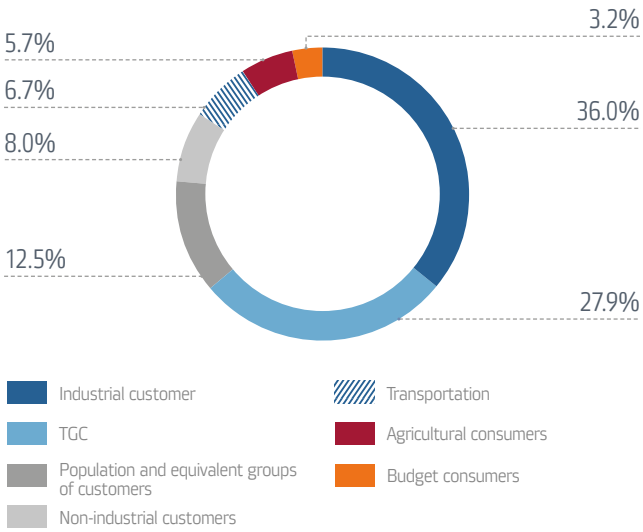
- Russian Railways, with 221.3 mln kWh, or 6.6%, net electricity supply decrease to branches of Russian Railways in IDGC of Centre's areas of operation.
- Belgorodsky Cement, Belgorod Region, with 64.3 mln kWh, or 45.8%, electricity consumption decrease.
- OJSC Novolipetsk Metallurgical Works, Lipetsk region, with 42.9 mln kWh, or 1.4%, electricity consumption decrease.

Among customer categories, the majority of electricity is customarily supplied to industrial consumers (36.0%), to territorial grid companies (27.9%) and to the general population and equivalent consumer groups (12.5%).

Useful power supplies to the population grew continuously: from 6,399.5 mln kWh in 2014 to 7,095.5 mln kWh in 2015 (a 10.9% increase). This is mainly due to the integration of the Yargorelectroset subsidiary's assets, with the growth resulting from the integration of at least 530 mln kWh. In comparable conditions of the balance, the growth of power consumption to the population amounted to 2.6%.

The volumes of TGC group decreased by 18.1%, from 19,327 mln kWh in 2014 to 15,828.0 mln kWh in 2015, due to the integration of Yargorelectroset's power grid assets and due to the elimination of TGC's status for KMA Electro LLC.

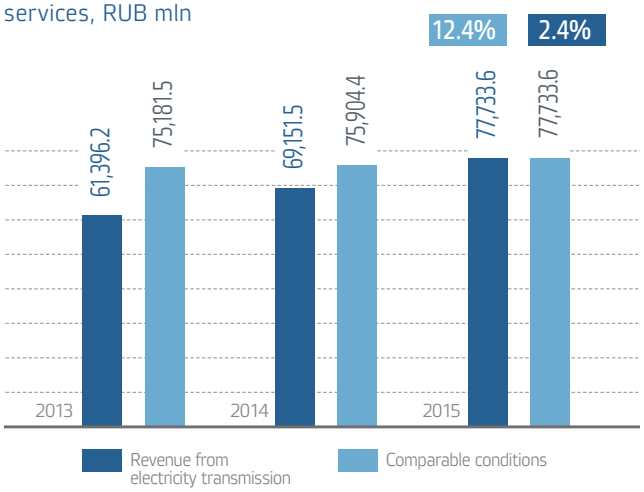
Structure of useful power supplies, categorized by customer type



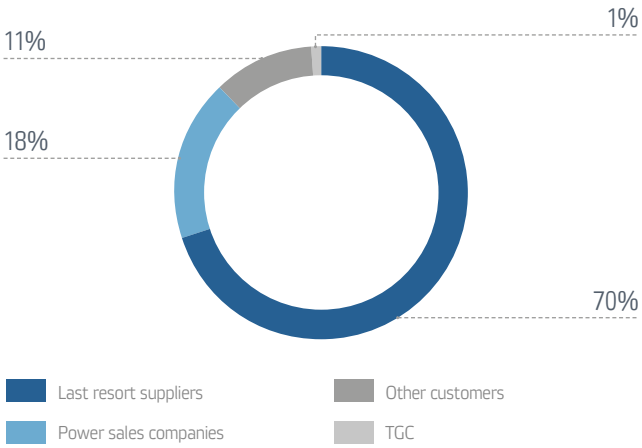
FINANCIAL EFFECT OF ELECTRIC ENERGY TRANSMISSION SERVICES

REVENUES FOR THE ELECTRICITY TRANSMISSION SERVICE

Trends in revenues from electric energy transmission services, RUB mln



Structure of revenues from electric energy transmission in 2015, by customer group



In 2013-2014, IDGC of Centre took on the function of a last resort supplier of electrical energy in 5 regions where it operates, pursuant to the resolutions of Russia's Ministry of Energy. In 2014, the Company transferred these functions to the winners of the competitions held by Russia's Ministry of Energy in all 5 regions. Thus, in 2013-2014, revenues from electrical power transmission services were included in the Company's books as revenues from electric energy sales. When comparing similar data in 2015, the revenues under the core operations increased by 2.4%, compared to 2014, due to the growth of tariffs and net power supply in the reporting year.

The structure of revenues by customer group in branch locations is shown in Appendix 3.2 to the Annual Report.

In the revenues from electric energy transmission services, the majority consists of the group of last resort suppliers (70%), and the remaining revenues are allocated between power sales companies (18%) and other customers (11%). Territorial grid companies, which since 2014 have been made up of Bryanskelekro LLC, account for 1% of revenues.

COSTS OF ELECTRIC ENERGY TRANSMISSION SERVICES

Structure of costs for electric energy transmission services, RUB mln

Cost indicator	2013	2014	2015	Variance 2015/2014	
				RUB mln	%
Electricity transmission production costs, total[1]	65,423.2	67,860.1	69,756.1	1,896.0	2.8
Non–influenceable costs	**44,573.6**	**45,701.5**	**46,329.7**	**628.2**	**1.4**
Loss compensation expenses	9,864.7	9,833.7	10,594.9	761.2	7.7
PJSC FGC UES services	14,729.5	15,351.5	15,259.8	–91.7	–0.6
TGC services	12,442.6	12,169.8	11,447.1	–722.7	–5.9
Depreciation of fixed assets and intangible assets	7,536.8	8,346.5	9,027.9	681.4	8.2
Influenceable costs	**20,849.6**	**22,158.6**	**23,426.4**	**1,267.8**	**5.7**
Tangible expenses	2,159.1	2,475.0	2,770.2	295.2	11.9
Production expenses	757.8	653.9	710.9	57.0	8.7
Personnel expenses (payroll, insurance payments, payments to the national pension fund)	13,287.4	14,536.7	15,781.9	1,245.2	8.6
Other expenses	4,645.3	4,493.0	4,163.4	–329.6	–7.3

[1] Expenses account for the production cost of services, including management and commercial expenses.

The costs of electric energy transmission services in 2015 amounted to RUB 69,756.1 mln, and exceeded the 2014 total by RUB 1,896 mln, or 2.8%. This increase in costs is due to the following factors:

- The growth of average weighted non-regulated prices in the wholesale electricity and power market and the integration of OJSC Yargorelectroset's power grid assets into the Company;
- The growth of the depreciation of payments by 8.2%, due to the commissioning of fixed assets within the framework of the investment programme;
- An 8.6% increase of HR costs, due to an increase in employees' wages and changes made to the labour payment system for the categories of managers and specialists.

NET PROFIT

Trends in net profit from electric energy transmission services, RUB mln

Indicator	2013	2014	2015	Variance, 2015/2014	
				RUB mln	%
Net profit from electricity transmission	–1,009.2	2,799.0	8.3	–2,790.7	–99.7

The main factors influencing the reduction of actual profit in 2015 versus 2014 were as follows:

- Growth of revenues by RUB 1,829.2 mln, or 2.4%.
- Growth of expenses by RUB 1,896 mln, or 2.8%, including:
  - An increase in HR costs (salary funds, insurance payments, non-pension funds) amounted to RUB 1,245.2 mln, due to the indexation of salaries and changes made to the labour payment system;
  - An increase in the loss compensation costs amounted to RUB 628.2 mln, due to the growth of average weighted non-regulated prices in the wholesale electricity and capacity market, and the integration of the subsidiary OJSC Yargorelectroset's power grid assets;
  - An increase in the depreciation of fixed assets and intangible costs by RUB 681.4 mln, due to the commissioning of fixed assets.
- An increase in the negative balance of other proceeds and costs by RUB 3,300 mln, or 86%.
- Growth of income tax by RUB 142.2 mln, or 20.7%.

ENERGY LOSS REDUCTION

In 2015, energy losses at IDGC of Centre's grids increased compared to the previous year (by 0.18 ppt) and amounted to 5,850.3 mln kWh, or 9.35%, of the grid's power supplies. This change is due to the reduction of the grid's power supply due to: the elimination of power supply volumes from the balance to the last mile facilities, a total of 119.4 mln kWh, a reduction of consumption volumes by large enterprises for total of 400 mln kWh, and the integration of power grid Yargorelectroset's assets. In terms comparable to 2015, a reduction in energy losses amounted to 98.9 mln kWh, or 0.14 ppt, compared to 2014.

The Company traditionally implements a set of measures aimed at the optimisation (i.e., reduction) of electrical energy losses: by organisational technological measures and by measures for the improvement of electrical energy metering systems. In 2015, over 5 thousand metering points were modernised. The expenses for these works amounted to RUB 75 mln. The collection of remote data from 4.9 thousand points was arranged.

Additional information on electricity transmission indicators is shown in Appendix 3.2 to the Annual Report.

Information on energy losses by branch is shown in Appendix 3.2 to the Annual Report.

Implementation of energy loss targets,% from power supplies to the grid

Indicator	2013	2014	2015	Variance, 2015/2014
Loss, actual	9.16	9.17	9.35	0.18 ppt
Loss, target	9.43	9.18	9.44	–
For reference:				
Electricity losses in relative conditions in 2015	9.59	9.49	9.35	–0.14 ppt

By 10 %
the energy loss reduction plan for 2015 was exceeded

The effect from energy loss reduction activities in 2015

456 RUB mln

164 mln kWh

Annual effect of energy loss reduction resulting from implemented activities

Actions	mln kWh	RUB mln
Organisational activities	104.8	322.0
Technical activities	9.7	19.3
Activities to improve the electrical energy billing and metering systems	49.8	114.0
Total	164.3	455.3

ENERGY SAVING AND ENERGY EFFICIENCY IMPROVEMENT

In 2014, the Company approved the Programme for the Improvement of Energy Conservation and Energy Efficiency (hereinafter, the Programme) at IDGC of Centre through 2019. Detailed information about the structure of the Programme is shown in the Annual Report for 2014.

Within the framework of the Programme, the Company carried out activities to enhance energy saving and energy efficiency improvement management systems in 2015. In particular, managers responsible for control over its implementation were appointed, and working teams were created to analyse the Programme's implementation. This energy management system was introduced in accordance with the national standard GOST R ISO 50001-2012, and the training of specialists was carried out. Certification of the system is scheduled for 2016. Nine of the Company's employees have passed trainings for the improvement of their skills at the National Research University "MPEI" in Energy Efficiency and Energy Saving In the Design of Power Grid Facilities.

Pursuant to the Programme, the Company has set targets and target values for 2015-2019, including:

- Energy losses during energy transmission and distribution over the grids;
- Energy consumption for utility needs;
- The application of up-to-date electrical metering devices in the retail market, implemented as part of the Programme's targets in 2015.

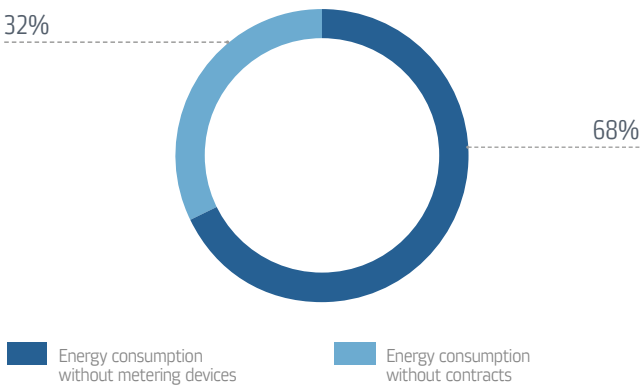
Implementation of the targets of energy conservation programmes and energy efficiency of IDGC of Centre in 2015

Indicator	Unit	2015 Target	2015 Actual
Energy losses, including:	mln kWh	5,909.959	5,850.324
	% of FA	9.44%	9.35%
Consumption for the indivudal needs of substations	mln kWh	110.31	104.53
Consumption of resources for utility needs by type of resource	RUB mln	1,037	1,043
Fuel and energy, including:	thousand trf	82.133	82.895
	RUB mln	1,029.89	1,039.18
	trf per sq. m of area	0.072	0.069
Electricity	mln kWh	135.37	130.95
	RUB mln	256.53	262.23
Heat	GCal	50,166	49,704
	RUB mln	68.45	67.7
Gas	thousand m^3	1,320.1	1,131.9
	RUB mln	7.78	5.93
Other (diesel fuel, kerosene, gasoline, etc.)	thousand trf	26.52	29.09
	RUB mln	696.2	698.1
Cold water supply	thousand m^3	273.04	229.95
	RUB mln	6.93	5.22
Application of up-to-date energy metering devices in the retail market	%	91.8	91.8

Information on the consumption of energy resources in 2015 is shown in the Appendix 3.2 to the Annual Report.

The main activities targeted at reducing of the consumption of resources for utility needs are the replacement of lighting by energy efficiency, and the heating and sealing of buildings. In 2015, the effect of these activities amounted to 154.6 mln kWh, a total of RUB 436 mln. Economising resources for utility needs amounted to 396 trf, a total of RUB 2.33 mln.

The amount of refunds as a result of activities to identify illegal consumption conducted 2015



In order to reduce energy losses, IDGC of Centre carries out activities in all branches to identify the unlawful consumption of energy: energy consumed without metering devices and without agreements.

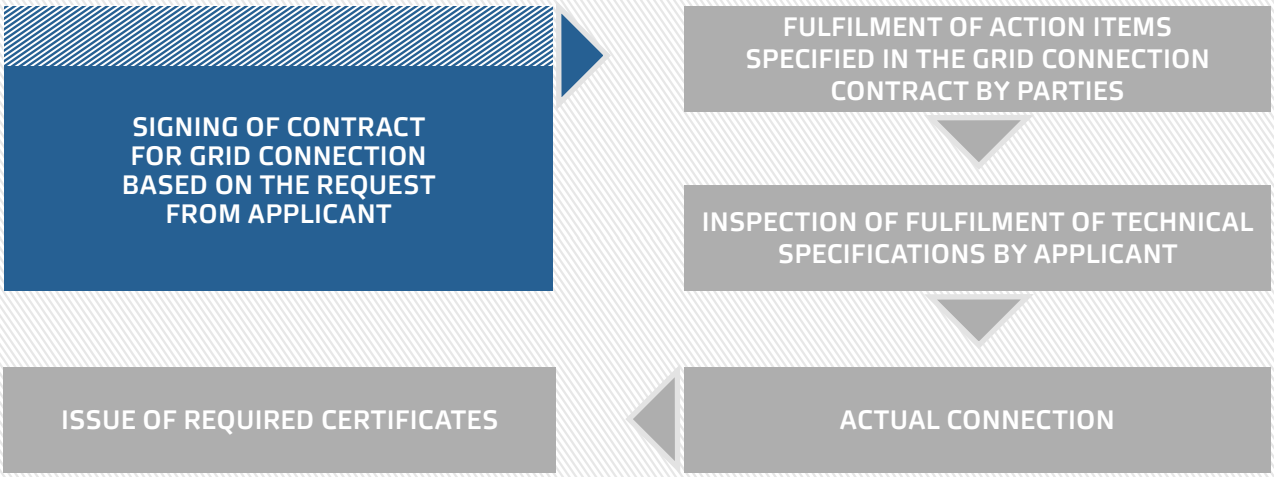
181.9 RUB mln
as a result of compensation for detected illegal consumption

GRID CONNECTION

Grid connection is a comprehensive service provided by IDGC of Centre to new customers and to the existing customers who need to increase their power consumption. Grid connection activities are state-regulated by the Grid Connection Rules and when setting the payment amount for grid connection.

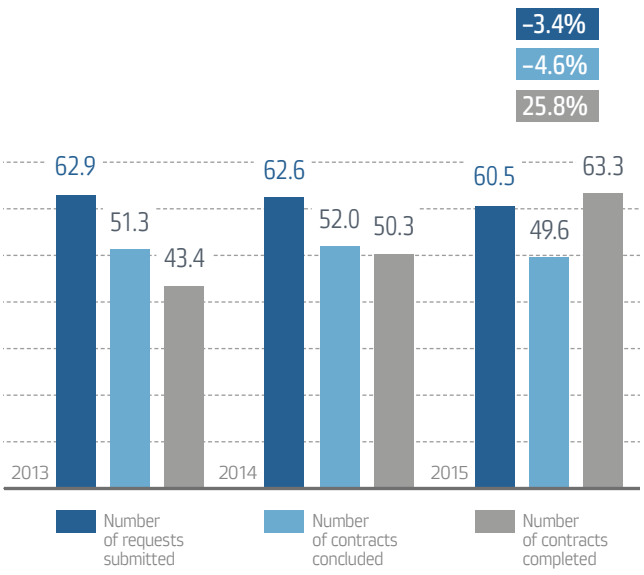
The most important issue today is the reduction of the period of time it takes to execute grid connection contracts. In 2015, IDGC of Centre continued operations in this field and reduced the connection period to 145 days, a reduction of 6 days compared to 2014.

Procedure of grid connection of the applicants



VOLUME OF SERVICES PROVIDED

Trends in implementation of the grid connection requests, thou. pcs.

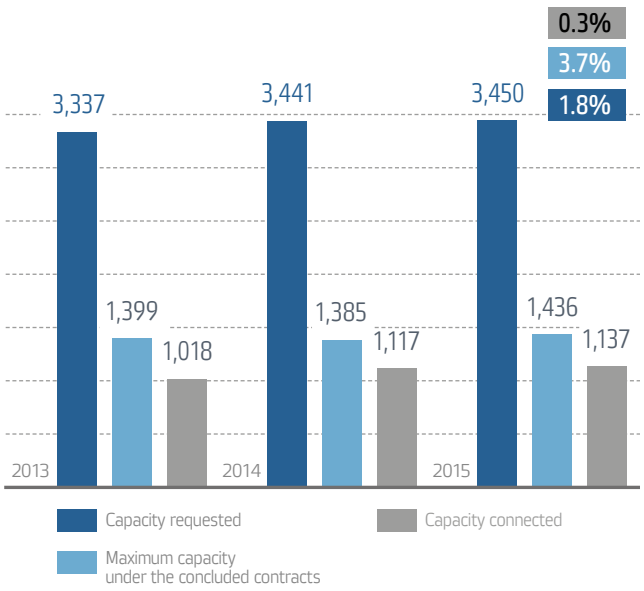


In 2015, over 60.5 thou. grid connection applications were received, which is a 3.2% decrease in comparison to 2014. The capacity requested was at the same level in 2014, since grid connection was in high demand by legal entities with large connection capacities.

In 2015, the number of contracts executed decreased by 4.7%, when compared to the previous period and the capacity connected under executed contracts increased by 3.7%.

25.8 %
increase in the number of performed connections

Trends in the implementation for grid connection requests, MW



In 2015, the number of connections increased by 25.8% when compared to 2014. Despite this, the volume of connected capacity only increased by 1.8% – up to 1,137 MW. These changes are due to the significant increase of consumer preference for a connection with a requested capacity under 15 kW.

1,137 MW
connected capacity

3.7 %
growth of connected capacity under concluded contracts

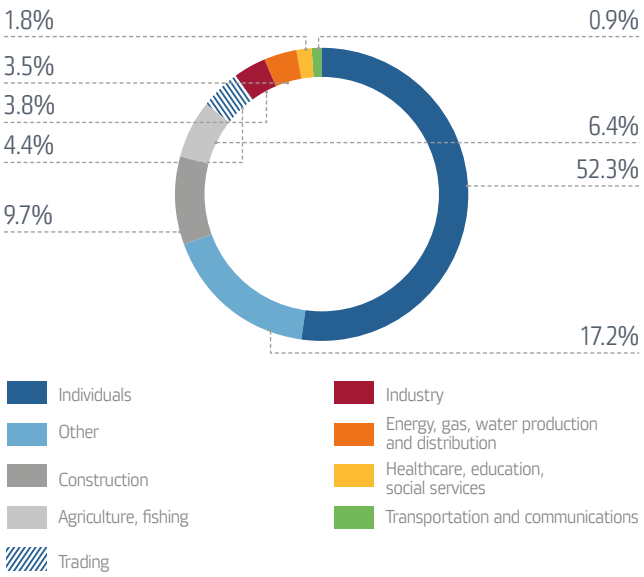
Structure of the requested capacity by customer category, MW

Indicator	2013	2014	2015
Under 15 kW (preferential category)	607.6	580.9	580.1
15-150 kW	183.5	215.1	220.2
150-670 kW	444.3	479	402.2
Over 670 kW	1,707.5	1,622.7	1,595.2
Generation	393.7	543.1	652.6
Total	3,336.6	3,440.8	3,450.3

Structure of connected capacity by customer category, MW

Indicator	2013	2014	2015
Under 15 kW (preferential category)	404.9	490.7	643.6
15-150 kW	90.6	96.6	103.3
150-670 kW	181.4	161.8	161.6
Over 670 kW	285.6	359.9	216.5
Generation	55.9	7.6	11.5
Total	1,018.4	1,116.6	1,136.5

Structure of maximum capacity connected by industry in 2015, MW



In 2015, consumers "under 15 kW" and "over 670 kW" account for the majority of connected capacity, amounting to 56.6% and 19.1% respectively.

The structure for connection capacity changed in the reporting year when compared to the previous periods. The share of "Under 15 kW inclusive" applicants increased from 43.9% in 2014 to 56.6% in 2015. On the contrary, the share of "Over 670 kW" applicants declined from 32.2% in 2014 to 19.1% in 2015.

Individual applicants accounted for over 50% of all connections in 2015 (52.3%). Among other applicants, construction and agricultural companies prevail, at 9.7% and 6.4%, respectively.

IN 2015, THE LARGEST AND THE MOST SIGNIFICANT FACILITIES CONNECTED TO IDGC OF CENTRE'S GRIDS WERE

NOV Kostroma LLC, with maximum capacity of 5.4 MW

Capital Construction Customer Office of Russia's Ministry of Defense, with maximum capacity of 3.8 MW

FINANCIAL EFFECTS OF GRID CONNECTION SERVICES

REVENUE FROM SERVICES ON TECHNOLOGICAL CONNECTION

Compared to 2014, revenues from grid connection in 2015 decreased by 22.5%, a result of the implementation of large connection contracts in 2014. Grid connection revenues from "Under 15 kW inclusive" customers increased by 54.7%, compared to a similar period in the previous year.

Dynamic pattern and structure of grid connection revenues, over the 2013–2015 period, RUB mln

Indicator	2013	2014	2015	Variance 2015/2014, RUB mln	Variance 2015/2014, %
Revenues	923.2	1,495.5	1,159.7	–335.8	–22.5
Including:					
Under 15 kW inclusive, total	37.6	43.3	67.0	23.7	54.7
Over 15 and up to150 kW inclusive	173.9	196.6	275.7	79.1	40.3
Over 150 and below 670 kW inclusive	350.6	366.9	344.3	–22.6	–6.2
670 kW and above	358.2	886.9	463.7	–423.2	–47.7
Energy generation facilities	2.8	1.8	8.9	7.1	400.4

THE COST OF GRID CONNECTION

In 2015, expenses increased by 20.2% when compared to 2014, due to the following factors:

- The growth of personnel wages due to the indexation of wages and changes to the labour payment system;
- An increase of tangible expenses, mainly due to changes in prices and the volumes of works;
- The growth of the depreciation of payments due to the commissioning of fixed assets.

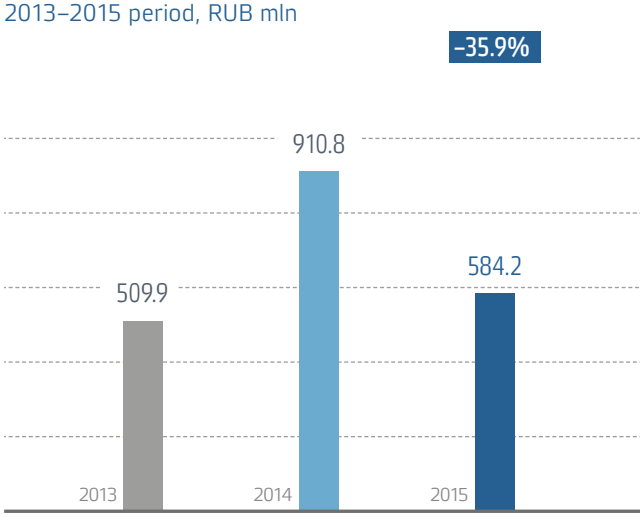
Dynamic pattern and structure of costs for grid connection services, over the 2013–2015 period, RUB mln

Cost	2013	2014	2015	Variance 2015/2014	
				RUB mln	%
Grid connection costs, total[1]	285.8	357.1	429.4	72.3	20.2
Including:					
Tangible expenses	28.5	32.3	49.2	16.9	52.3
Production expenses	4.5	3.4	4.0	0.6	17.6
Depreciation of fixed assets and intangible assets	9.7	10.6	14.2	3.6	34.0
Personnel expenses (payroll, insurance payments, payments to the national pension fund)	187.6	245.5	289.0	43.5	17.7
Other expenses	55.5	65.3	73.0	7.7	11.8

NET PROFIT FROM TECHNOLOGICAL CONNECTION

Net profit decreased by RUB 326.6 mln, resulting from a reduction of revenues and the growth of expenses for grid connection services. The growth of income taxes by RUB 2.1 mln, or 1.5%, also influenced the net profit in the reporting year.

Trend in net profit from grid connection services[2], over the 2013–2015 period, RUB mln



OTHER ACTIVITIES

To diversify its business, IDGC of Centre develops additional services not directly related to its core activities. Additional services are paid and are not subject to mandatory government regulation.

The main directions of the additional services provided by IDGC of Centre are as follow:

- Organisation of outdoor lighting systems.
- Operational and technical maintenance and repair of electrical grids and electrical equipment.
- Reconstruction of power grid facilities for the benefit of customers.
- The provision of technical resources.
- Testing and diagnostics for equipment.
- Installation and replacement of metering equipment.
- Performing activities within the competence of customers in the course of grid connection.
- Energy audits and energy services.
- The design and construction of energy facilities.

In 2015, demand for the Company's additional services increased by 2.5% when compared to 2014, with the Company receiving over 169 thousand applications.

[1] *Costs include all production expenses, including management and commercial expenses.*

[2] *The amount of liabilities of technological connection included in the financial statements in net profit.*

Trend in the requests for additional services, thou. pcs

2013	2014	2015	Deviation 2015/2014,%
187.0	164.8	169.0	2.5

DEVELOPMENT OF ADDITIONAL SERVICES

In 2015, the pilot project for the development of "Performing activities within the competence of clients in the procedure of grid connection" (Grid Connection Support) was carried out at the Voronezhenergo and Kurskenergo branches. The Company provides these services within a framework of support for small and medium businesses, who are the main customers of grid connection to power facilities under 150 kW and are covered by this new service. The service is provided on a "single window" basis, wherein the client receives the scope of all works for documentation preparation and facility connection to the grid on a turnkey basis.

Within the implementation of the pilot project in 2015, the following activities were carried out by the Company in particular: the development of algorithms and sales, defining employees' key competences for client service offices, training in client-oriented service and efficient sales methods, the implementation of an additional employee motivation system, etc.

As a result of the implementation of this project, the number of contracts for Grid Connection Support concluded by the Voronezhenergo and Kurskenergo branches in 2015 doubled when compared to 2014. Total revenues amounted to RUB 50.8 mln, which is a 3-time increase compared to the previous year. Taking into consideration the positive experience received, the Company is planning to expand the territory of this new service by implementing it in other regions where it operates.

In 2016, the Company is planning to focus on the following activities:

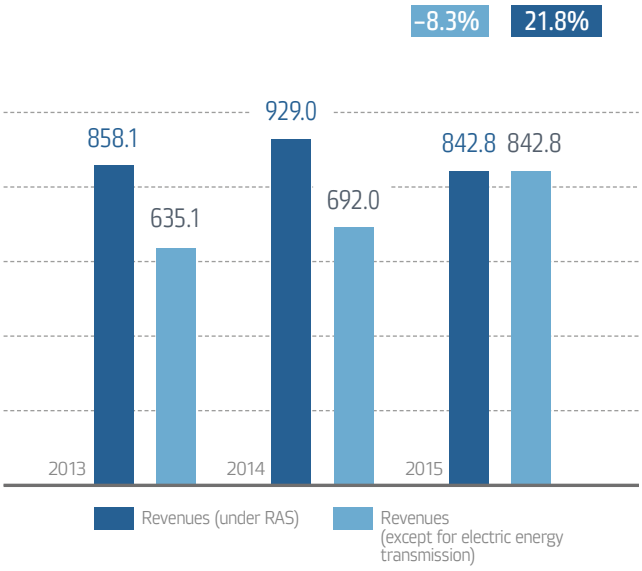
- The implementation of the project for developing the "Performing activities within the competence of clients in the procedure of grid connection" service in the Lipetskenergo and Smolenskenergo branches;
- Developing a client-oriented maintenance approach in the process of the provision of services by the Voronezhenergo and Kurskenergo branches.

FINANCIAL EFFECTS OF ADDITIONAL SERVICES

In 2015, due to an increase of the number of applications for additional services, the revenues from other operations declined by 8.3%. These dynamics are a result of the planned reduction in revenues from "Organisation of outdoor lighting systems," caused by the division of electric energy transmission services and maintenance services in the municipal contract concluded with the Smolenskenergo branch.

The analysis of revenues from additional services over the 2013–2015 periods, without the consideration of actual revenues from electric energy transmission, (revenues from energy transmission made in 2013 – RUB 223 mln; 2014 – RUB 237 mln), shows positive changes. The growth of revenues by 21.8%, compared to 2014, is mainly due to development of such businesses as "Installation and replacement of metering devices" and "Performing activities within the competence of clients in the procedure of grid connection".

Trend in revenues from additional services, over the 2013–2015 period, RUB mln



CUSTOMER RELATIONS

Interaction with IDGC of Centre's customers is carried out in accordance with a Customer Service Quality Standard (Minutes of the Board of Directors No.13/15 of June 24, 2015).

The document is available on the Company's Website .

The values and principles of customer relations are defined according to the Company mission: the identification and implementation of justified customer (consumers) requirements, the continuous monitoring of their expectations and satisfaction, and ensuring the reliable and failure-free supply of electricity to the diligent customers (consumers) of the Company's services.

In addition to the reliable and failure-free supply of electricity, our customers appreciate the availability of such services.

TERRITORIAL AVAILABILITY AND UNIVERSALITY OF SERVICES

Even in the most remote regions, the stable supply of electricity to customers, high quality service and timely consideration of applications shall be ensured.

ORGANISATIONAL AVAILABILITY

The Company's service rules shall be transparent, public and executable. Consistent and accurate information about all relations shall be available to the customers in clear form.

INFORMATION AVAILABILITY

The Company shall duly inform the customers about the cost of services, the procedure of tariff development and the amount of tariffs for services, the payment for the connection to distribution power grids, and, if required, about the procedure of price formation in the retail electricity market.

IDGC of Centre follows a customer-oriented approach, one that is based on systematic cooperation with our customers, the monitoring and analysis of their needs, and the study of our customer's opinions about the quality of services. Such an approach includes: risk analysis, the search for mutually profitable solutions, and the constructive settlement and prevention of conflicts. This feedback principle means that appropriate changes to the Company's operations are carried out according customer needs and expectations.

The Company's customers are provided with the objective and consistent consideration of their applications and claims within the established time periods, and have the possibility to appeal.

The requirement of an individual approach to consumers and the consideration of specific features of each client group are applied to all categories of consumers, meaning individuals working with large clients, and the special servicing of veterans and socially vulnerable categories of the population.

FORMS OF CUSTOMER SERVICE

The Company has three types of client service: personal service, absentee service and interactive service. Information from clients is received via dedicated and especially equipped communication channels.

TYPES OF APPLICATION

- Application
- Claim
- Consultation
- Review

Company's communication channels for customer relations

CUSTOMER SERVICE CENTRE
- Customer visit

DIVISION OF THE COMPANY
- Russian Post
- Customer visit
- Phone, fax

CALL CENTRE
- Phone
- SMS, MMS
- Voice mailbox

INTERNET RECEPTION
- E-mail:
  - posta@mrsk-1.ru,
  - E-mail of branch managers (http://www.mrsk-1.ru/contact/)
- Web reception at: https://www.mrsk-1.ru/customers/customer-service/feedback/complaint/nat/

RUSSIAN POST, CUSTOMER BOX
- Customer visit

288 customer service offices, including:

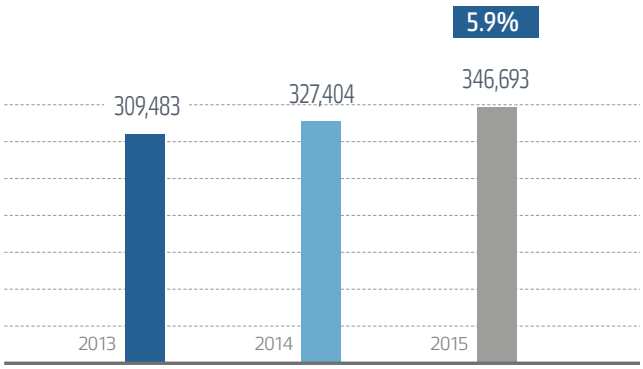
24 customer service centres

264 customer relations offices

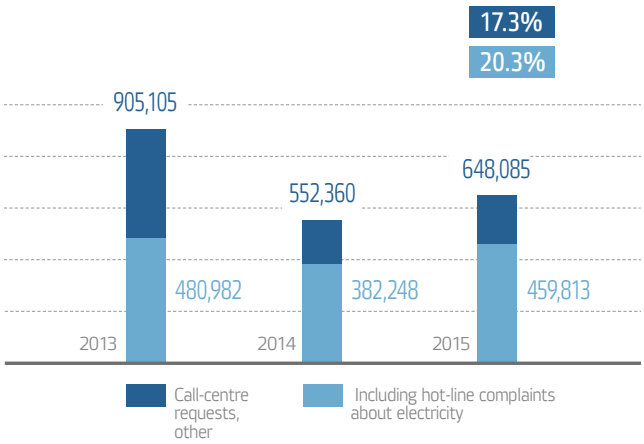
STATISTICS OF CUSTOMER APPLICATIONS

Complaints by communication channel

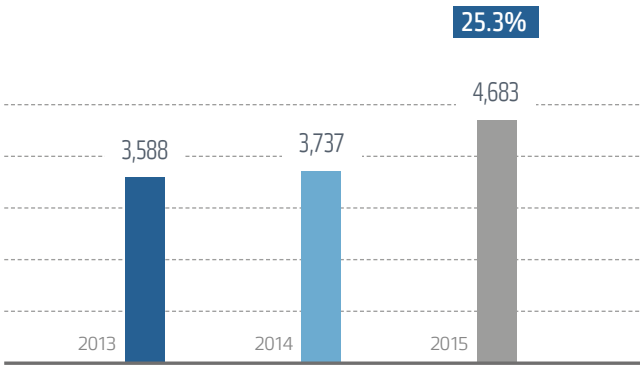
Personal visit



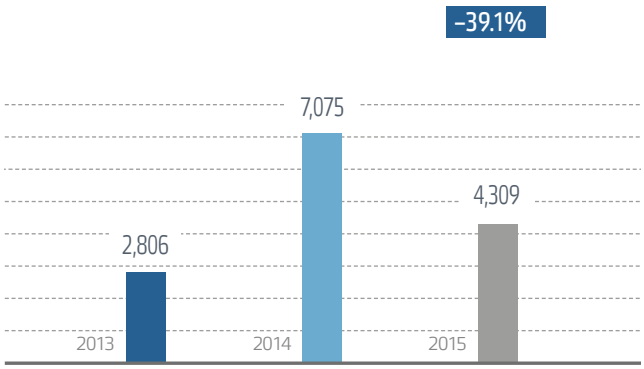
Call-centre requests



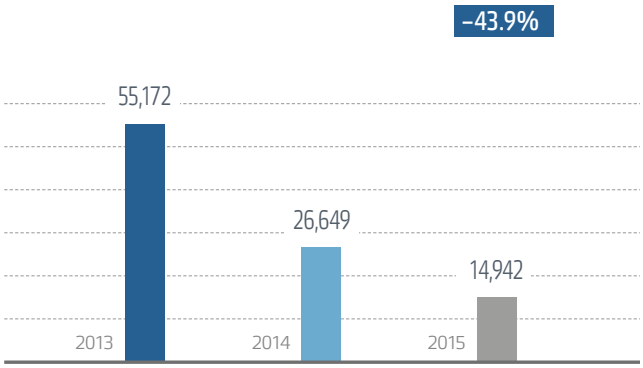
Written requests to the office



Complaints via the Web reception /My Account/On line consultation/E-mail



Other customer applications

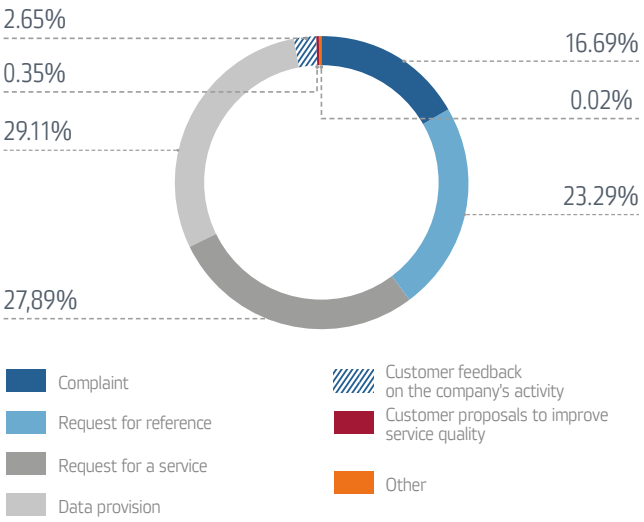


Complaints for electrical energy interruptions account for almost 45% of all customer complaints made to the Company. In addition this, a significant share of complaints concerns additional services offered by the Company (16.6%) and grid connection (13.7%).

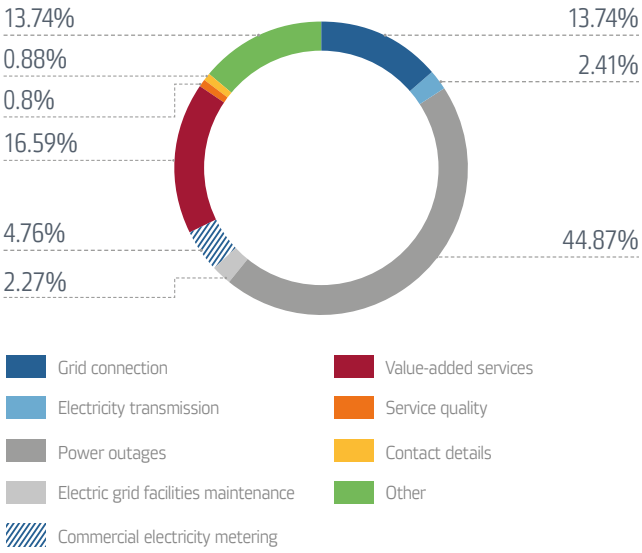
Over 1 million
applications from customers received the Company in 2015.

By 11.1 %
increased the number of applications compared to 2014.

Structure of consumer complaints in 2015 by category



Structure of consumer complaints in 2015 for reasons (topics)



ASSESSMENT OF THE RELIABILITY AND THE QUALITY OF SERVICES PROVIDED

Assessment of the reliability and quality of services provided is an indicator of the Company's efficiency in customer relations. Electricity transmission services and grid connection services are evaluated.

Quality indicator comprises evaluations are assessed according to the following criteria:

- Information consistency;
- Execution;
- Feedback effectiveness.

Detailed information about the branches' evaluation of the achievement of reliability is shown in Appendix 3.3. of the Annual Report.

Target values are set for each the Company's branches on an annual basis by executive authorities of the RF's constituent entities, which are responsible for state regulation of tariffs. Actual evaluation carried out by the Company's employees is based on the results of customer interviews by phone or in writing (including interactive questionnaires). Customers can also assess the quality of the Company by completing an online questionnaire about the quality of IDGC of Centre's services: https://www.mrsk-1.ru/clients/customer-service/reception/anketa/.

In 2015, the indicators of quality of service provided did not exceed target values and were achieved by all branches.

IMPROVEMENT OF THE QUALITY OF CUSTOMER RELATIONS

In 2015, IDGC of Centre focused on the following activities to improve the quality of its customer service:

- An appointment feature for consumers visiting customer service offices was implemented.
- An online knowledge base for customer service office employees was developed and implemented.
- Scenarios of processing customer complaints were amended to provide more consistent information requested by the customer at the stage of application reception.
- Notification via SMS about the execution of applications for grid connection, as well as notification about planned and emergency repair work, including power outages and the need to replace metering devices, was introduced.
- The improvement of skills and training for employees directly working with customers was carried out. Training was carried out in the Voronezhenergo and Kurskenergo branches in sales skills, and a customer-oriented approach to the provision of services.

PROGRAMME OF INNOVATIVE DEVELOPMENT

The Company's innovation activities are carried out in accordance with the revised Innovative Development Programme of IDGC of Centre for 2015-2019, approved by the Board of Directors (Minutes No. 08/15 of April 16, 2015).

In 2014, IDGC of Centre's Board of Directors also approved the Policy of Innovative Development, Energy Conservation and Energy Efficiency (Minutes No. 15/14 of June 23, 2014). This document defines the strategic perspective as transition to the new technological mode of electric grids with qualitatively new characteristics of reliability, efficiency, availability, manageability and a focus on customers.

The main tasks of the Company's innovative development are as follows:

- An upgrade of the Company's processing base.
- The commercialisation of new technologies requested in domestic and international technology markets.
- Development and introduction of new services.
- Improvement of the Company's energy efficiency by improving the energy efficiency of its facilities and equipment.
- Improving the Company's business processes and the introduction of new management methods and professional training of the personnel.
- Development of an innovative activities system.

IDGC of Centre's innovative development is carried out in the following areas:

- Research and development.
- Development of methodological support.
- Implementation of innovations.

RESEARCH AND DEVELOPMENT

In 2015, the Company carried out the following research and development works:

- Simulator for operating staff based on virtual reality models of the transformer substation;
- Development of anti-ice covering and methods of their application on non-insulated HV wires using the ferromagnetic materials and Curie point close to 0 deg. C;
- Development, production and testing of single-circuit and double-circuit poles made of composite materials for overhead power lines of 6-20 kV.

In the reporting year, for the first time IDGC of Centre concluded the licence agreements for IDGC of Centre's intellectual property use:

- A patent for the utility model "Pole-mounted transformer substation" (3 agreements);
- A patent for the utility model "Power line pole" (2 agreements).

The first payments for using the utility models will be received in 2016.

Efficiency indicators of the Innovative Development Programme

Indicator	Unit	2015
Funding research and development carried out by other organisations, by contractors (universities and colleges, scientific institutions, small and medium-sized innovative companies)	RUB mln	24.03
Including by projects implemented as part of:		
Universities and colleges	RUB mln	11.03
The cost of further training and retraining courses at universities and colleges per employee	RUB/person	12.61

RESEARCH AND DEVELOPMENT COUNCIL

IDGC of Centre performs its research and development activities by participating in operations carried out by Rosseti's Research and Development Council, established in 2013. Representatives of the Company are members of both the Council's presidium and of an expert committee of sections.

Additional information on the implementation of research and development works is shown in Appendix 3.4 to the Annual Report.

Materials from the meetings of the Research and Development Council are published on the Website of Rosseti.

INFORMATION TECHNOLOGY

The efficiency of IDGC of Centre's operation as an up-to-date power grid company directly depends on the application of information technology and automation devices. The implementation of new projects, the development of existing projects and the support for completed projects with regard to IT technologies are operations continuously carried out by the Company in accordance with the Information Technology and Telecommunications Strategy (hereinafter, the ITT Strategy).

AUTOMATED PROCESS CONTROL SYSTEMS

In 2015, IDGC of Centre continued its operations under modernisation programmes, by expanding data collection and exchange systems, under distribution grids controllability improvement programmes, and by the implementation of a distribution and outage management system (hereinafter, OMS/DMS) in 10 of the Company's branches.

In 2015, 28 of 110 kV substations and 16 of 35 kV substations were were equipped with remote control; an automated dispatch control system was implemented in the regional dispatch control room of the regional power system, and project designing works were created for the development of telemechanics systems at 5 of 110 kV substations and 7 of 35 kV substations.

In 2015, 463 of 110 kV substations and 277 of 35 kV substations were equipped with up-to-date remote control systems.

During the reporting year, works for the implementation of the OMS/DMS system was continued at 10 branches (except for Belgorodenergo, where this system had been already introduced): schemes and facilities at 20 power grids regions were connected.

In 2016, the Company plans to introduce the remote control systems at 6 of 110 kV substations and 24 of 35 kV substations.

BUSINESS APPLICATIONS AND BUSINESS PROCESS AUTOMATION

In 2015, a purchase management system was introduced, ensuring control over procurement procedures and the automatic generation of analytical reports on the implementation of procurement plans.

The Corporate Information Analytical Portal was introduced, which includes the following services: HR management, public relations, an energy efficiency website, a call-centre portal, etc. Furthermore, an automated management documentation system was introduced.

A corporate regulatory and reference information control system was introduced, helping to improve the efficiency of processes related to high-quality reference information in the Corporate Information Resource Management System.

Within the Company's Corporate Information Resource Management System, the following projects were implemented: a project for the accounting of equipment shutdowns, the integration of the navigation system with an automated motor transport control system, and automation of the business process that supports the Corporate Information Resource Management System and client service scenarios. Furthermore, projects for the implementation of contractual schemes to connect IDGC of Centre's facilities to the grids of related companies were carried out.

IMPLEMENTATION OF THE IMPORT REPLACEMENT PROGRAMME

In order to implement the import replacement programme for the automation of the technological control systems equipment, telecommunications and information technologies, IDGC of Centre is attempting to minimise the number of foreign equipment and materials used in project designs, in new infrastructure solutions and in updating the existing ones. The Company's specialists follow the release of new local products in the market and monitor which companies produce this equipment. If competitive analog products are released, the equipment is tested at the special test sites to simulate its integration into the existing IT infrastructure and telecommunication network.

In 2015, projects for the construction of fiber optic lines based on local equipment were implemented into the telecommunications infrastructure at the Voronezhenergo and Kostromaenergo branches. The positive economic effect from each unit of equipment exceeded 40% when compared to the cost of the international equipment used before.

It must be noted that it is not possible to replace all telecommunication network units with local systems without a deterioration of technical specifications since not all local equipment comply with the applied electrical standards.

TELECOMMUNICATIONS DEVELOPMENT

The Company continued its operations of introducing fiber optic lines to its branches. These fiber optic lines have a higher pass-through capacity and are the most reliable solution for common applications. The length of the fiber optic lines built in 2015 amounted to 929.22 km, which is a 13.7% increase compared to 2014.

8,015 pcs
total number of the Company's fiber optic lines

Distance of fiber optic lines built:
- IDGC of Centre's investments – 4,222.6 km;
- Investors' funds – 2,566.2 km.

In 2015, works for the installation of satellite communication devices at the substations continued. The satellite channels are used to backup communication and data exchange channels of 35 and 110 kV substations. Overall in 2015, over 300 of IDGC of Centre's facilities were equipped with sets of satellite equipment, in particular, 3 substations in Kurskenergo and 2 substations in Smolenskenergo were equipped.

IDGC of Centre has created and actively is developing a digital dispatch control radio communication system based on up-to-date digital radio equipment, compliant with the DMR standards, integrated into the existing transportation data exchange system of the Company. This system ensures failure-free communication with maintenance groups while they are in transit.

Data collection and exchange system:
- Kostromaenergo – 3 facilities;
- Kurskenergo – 2 facilities;
- Smolenskenergo – 6 facilities;
- Tamvobenergo – 3 facilities;
- Tverenergo – 5 facilities.

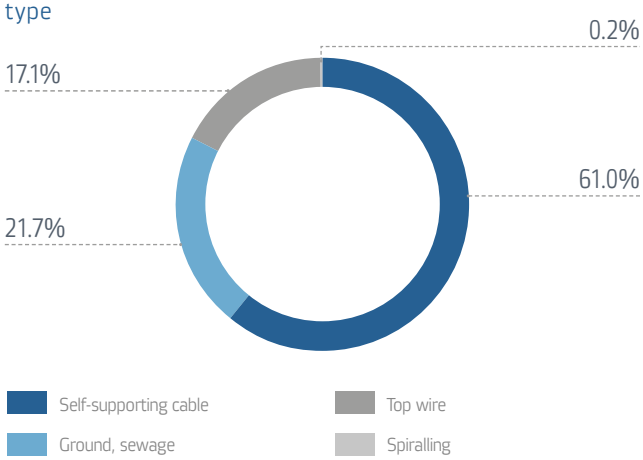
Taking into consideration telecommunication technologies development trends, the existing communication channels have been modernised to increase their pass-through capacity.

PLANS FOR THE FURTHER DEVELOPMENT OF IT, AUTOMATION AND TELECOMMUNICATIONS

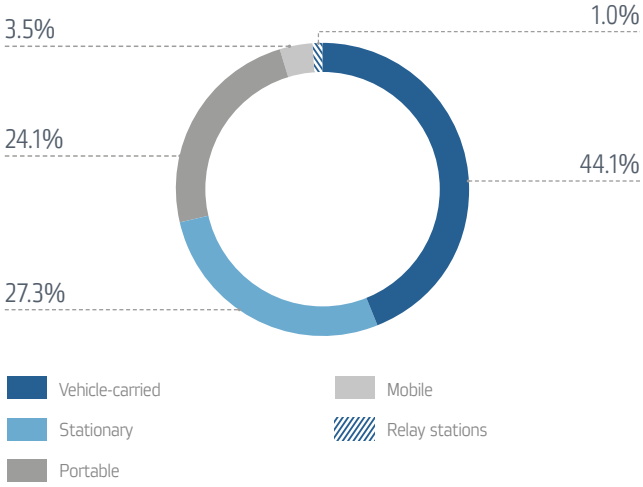
Pursuant to the IT, Automation and Telecommunications Strategy, the following activities have been planned:

- Development of an automated management documentation system;
- Development of the Corporate Information Resource Management System in the following areas: the management of customer relations, assets, maintenance and repair, bookkeeping and statements.

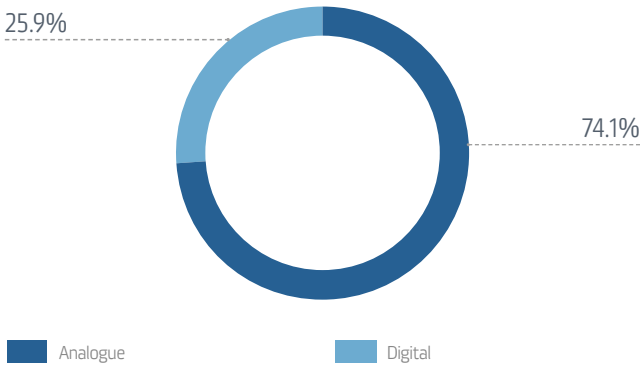
Fiber optic lines routed at IDGC of Centre's branches by type



Structure of IDGC of Centre's radio stations, type of station



Structure of IDGC of Centre's radio stations, type of signal



PREVENTION OF EMERGENCY SITUATIONS

In 2015, no technological violations associated with large power shutdowns or outsourcing services from other grid companies or third parties were recorded at IDGC of Centre's power grid complex.

In November–December 2015, the Company actively contributed to the elimination of emergency consequences in Crimean Federal District and the city of Sevastopol: IDGC of Centre moved 208 backup power supply sources with total capacity of 9.26 MW, sent 10 service crews to backup the servicing of power supply. In the movement and servicing of power supply, 152 persons and 56 vehicles from all of the Company's branches were used.

In 2015, to assist in eliminating the consequences of technological violations at IDGC's other power grid complexes, the Company's mobile emergency and recovery crews were used two times.

PERFORMANCE DURING SPECIAL PERIODS

Environmental and climatic factors have a significant impact on the performance of IDGC of Centre's power grids complex The Company prepares reliable and sustainable operations during the autumn-winter season and during special periods (flood, fire and thunderstorm periods) in advance.

PREPARATION FOR THE FLOODING PERIOD

- Flood committees are created in the executive body and in all branches of the Company.
- Cooperation with territorial authorities of Roshydromet, divisions of the Russian Ministry of Civil Defense and Emergencies, and local authorities was established, in order to get real-time information about weather conditions contributing to intense snow melting and the risk of flooding
- Cooperation with divisions of the Russian Ministry of Civil Defense and Emergencies and local authorities was established in order to engage special machines and swimming devices.
- The permanent availability of systems for communication with emergency crews who repair the power grids equipment was ensured.
- Monitoring the flood situation: a range of activities is carried out to prevent the impact of a flood on power grid facilities located within the possible territory of flooding.

As a result of activities carried out in 2015, no large power shutdowns, technological violations, damages to power grid facilities, or any damage to the Company's property was recorded due to spring flooding.

PREPARATION FOR THE THUNDERSTORM PERIOD

In 2015, IDGC of Centre's branches have implemented over 2 thousand activities for the preparation of thunderstorms. Efficient preparation for the thunderstorm period allowed for the reduction in the number of damaged equipment by 25% compared to 2014.

RESOURCES FOR EMERGENCY AND REPAIR WORKS

For the high quality implementation of emergency and repair works, the Company possesses the following resources:

- Over 1.4 thousand emergency and repair crews, consisting of 7.7 thou. persons and 2.5 thou. cars and special cross-country vehicles, and 90 mobile crews consisting of 528 persons and 166 vehicles;
- 134 crews, consisting of 1,356 employees and 449 cross-country transportation and special vehicles. The Company's branches entered into a cooperation agreement for emergency and recovery works in the process of eliminating technological violations' consequences with 36 contractors;
- Backup reserves amounting to a total of RUB 691 mln, including the main process equipment;
- Backup power supply sources, totalling 353 units, including 140 stationary and 213 mobile sources, a total of 9.516 MW.

03 Social responsibility

by 2.5 times

reduction in the level of production injury versus 2014

50 %

the share of purchases from small and medium-sized companies in the reporting year

SOCIAL RESPONSIBILITY

The current version of the Staffing and Social Policy was approved by the Board of Directors in 2014.

The main task of personnel management is the development of a highly skilled professional team that ensures the delivery of strategic goals.

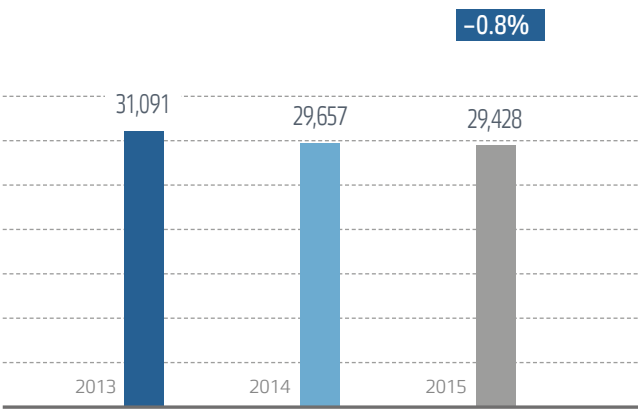
IDGC OF CENTRE'S STAFFING POLICY* ADDRESSES THREE PRIORITY TASKS:

- The improvement of the efficiency of human capital
- The creation of a favourable corporate environment for the retention and development of personnel
- The creation of safe labour conditions

GENERAL CHARACTERISTICS OF THE COMPANY'S PERSONNEL

Due to the optimisation of the personnel headcount in the administration and management and the transfer of the function of guaranteeing a supplier to energy sales companies, the average headcount of personnel in 2015 decreased to 29,428 persons. The availability of personnel did not change in comparison with previous reporting period: at the end of 2015, it amounted to 95%. The total number of newly hired employees in 2015 amounted to 2,741 persons, and 692 persons were dismissed.

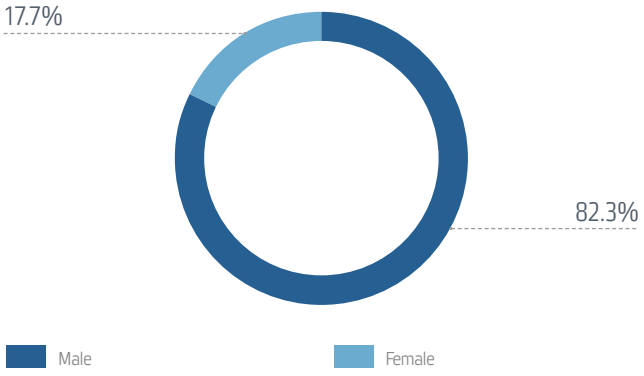
Average personnel headcount, in persons



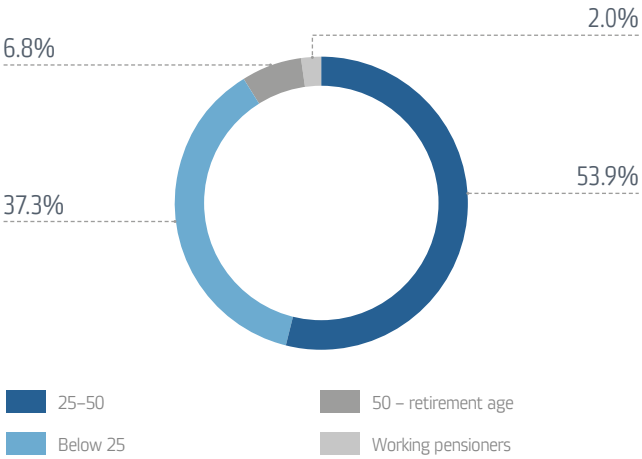
Distribution of personnel in branches,%

Branch	2013	2014	2015
Executive office (Moscow)	3	3	2
Belgorodenergo	13	13	13
Bryanskenergo	7	7	6
Voronezhenergo	10	11	11
Kostromaenergo	6	6	7
Kurskenergo	10	9	9
Lipetskenergo	7	8	8
Orelenergo	7	6	6
Smolenskenergo	12	12	11
Tambovenergo	6	7	7
Tverenergo	12	11	11
Yarenergo	7	7	9
Total	100	100	100

Gender distribution of newly hired employees in 2015



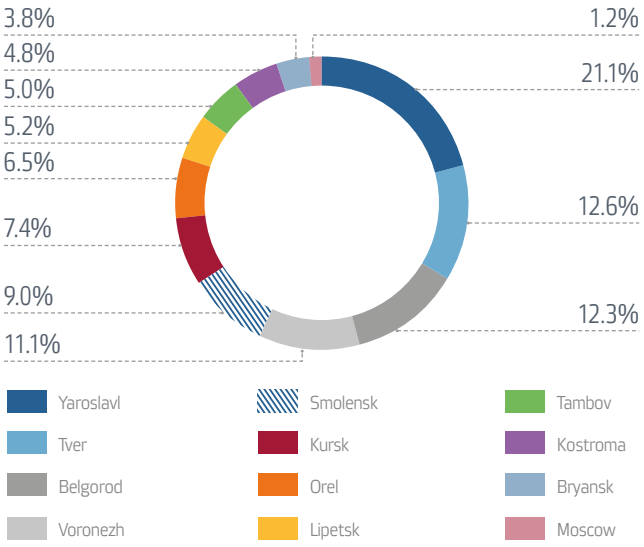
Age distribution of newly hired employees in 2015



95 %
staffing level in 2015

1,021 employees
took leave to care for a child under 3 years old in 2015, among them: 96.4% – women and 3.6% – men

Distribution of newly hired employees in 2015 by region



It is important for the Company that employees who take leave in order to bring up small children return to their jobs. In 2015, 78% of employees (of ones who were supposed to return) returned to their jobs.

Over the last year, the category structure of employees has remained stable. Blue-collar staff accounts for the majority of employees (52%). An insignificant increase in the number of employees in 2015 (by 1%) is attributable to the filling of vacancies in the Distribution Zone and to the creation of the Distribution Zone Yargorelectroset at the Yarenergo branch. The reduction of the share of white-collar staff in 2015 is attributable to a limitation in the increase of administrative and management personnel by the optimisation of Company OPEX.

In 2013–2015, the age distribution of personnel almost did not change. The core of the Company's staff consists of employees aged 25-50 (66%). The average age of employees, 41, also did not change in 2015.

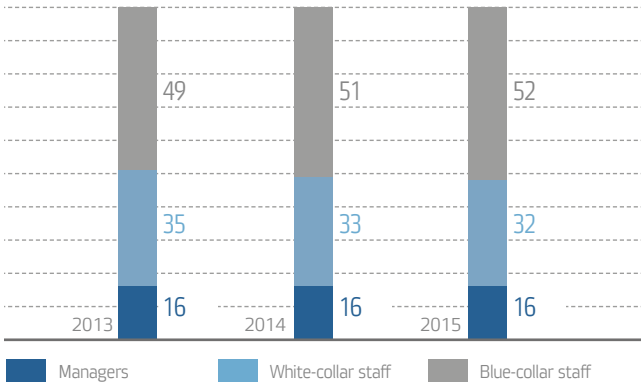
41
average age
of employees in 2015

86 %
employees have
professional
education

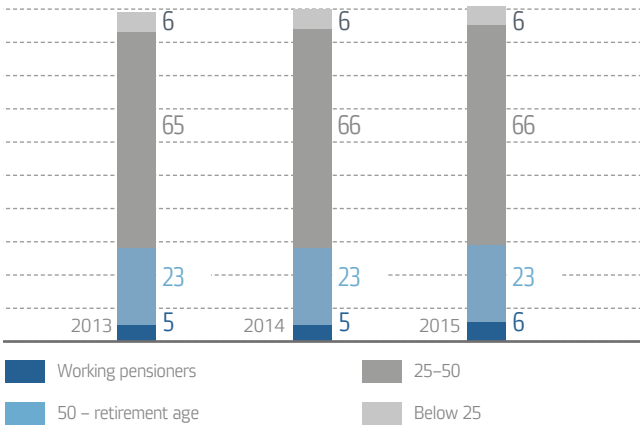
The Company saw an increase in the level of education of its personnel. In 2015, circa 86% of employees had professional education.

> The high level of modern technology in the electricity sector requires strengthening and development of the Company's staff. An analysis of the changes in the educational level of the personnel shows an annual increase in the share of workers with vocational education.

Personnel structure by category,%



Age structure of personnel,%



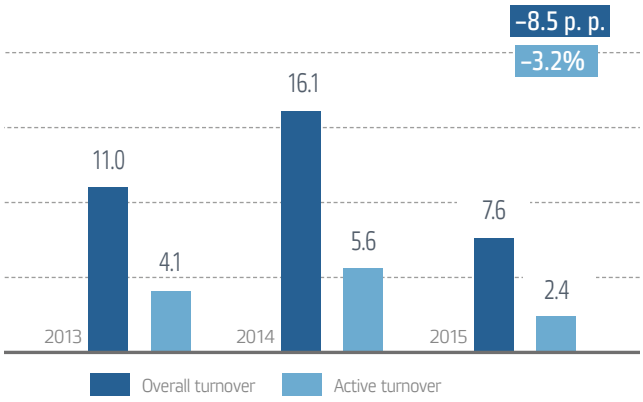
Structure of personnel based on education level,%

Categories	2013	2014	2015
Basic/secondary education	15	13	14
Primary vocational education	17	17	18
Secondary vocational education	27	29	27
Incomplete higher education	0	0	0.03
Higher vocational education	38	37	38
Higher education in 2 and more specialisations	3	3	3
Doctor of Science	0.17	0.17	0.14
Candidate of Science (PhD)	0.01	0.01	0.01

Due to the Company's efforts as part of the Staffing and Social Policy, the active turnover (caused by dissatisfaction with the workplace) is rather low; in 2015 it amounted to 2.35%. Additionally, the overall turnover of staff decreased due to organisational and structural changes in the Company.

2.4 %
staff turnover in 2015

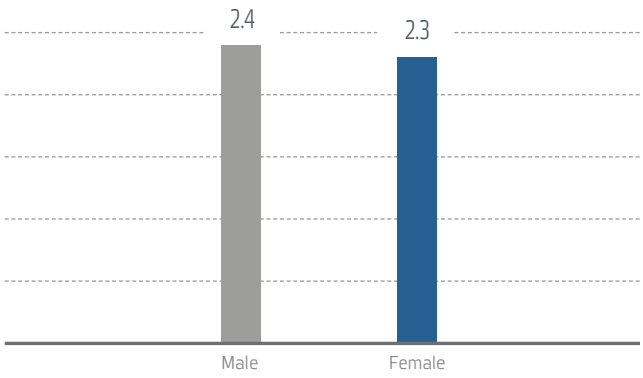
Turnover,%



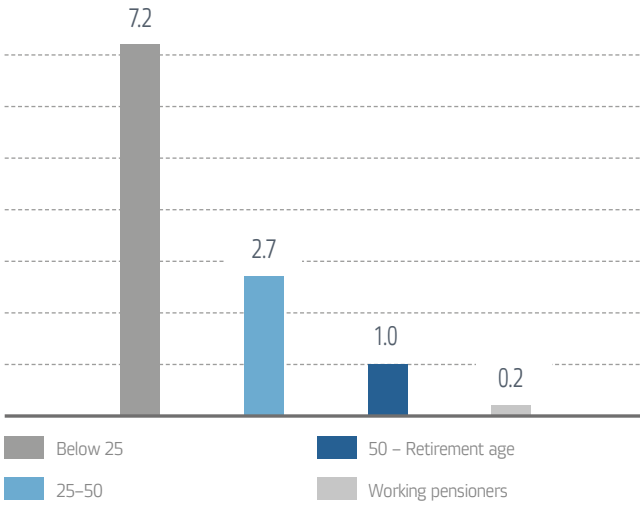
Regional distribution of staff turnover in 2015,%

Region	2015
Moscow	5.3
Belgorod	2.6
Bryansk	3.2
Voronezh	1.5
Kostroma	0.9
Kursk	1.5
Lipetsk	2.2
Orel	1.7
Smolensk	0.5
Tambov	2.4
Tver	5.2
Yaroslavl	3.3

Gender distribution of staff turnover in 2015,%

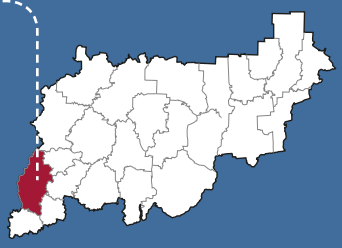


Age distribution of staff turnover in 2015,%



RENOVATION OF IMPORTANT ENERGY FACILITIES IN THE REGION

KOSTROMA REGION



Kostroma branch specialists have performed renovation of the substation Kostroma-1. The substation provides electric connection between the substations Motordetal and Kostroma-2 included in the national electric grid, and supplies electricity to the Zavolzhsky District of the Kostroma Region with a population of more than 22 thou. people.

The substation was renovated to cover the capacity shortage in the area and to create opportunities for grid connection of new consumers. Two new 110 kV power transformers of 16 MVA each were installed at the substation during the renovation. Also, new microprocessor protection were put into operation, up-to-date telecontrol system was installed, and high-speed communication channels with fiber-optic lines were commissioned. The state-of-the-art equipment meets modern requirements and allows for the possibility to control the power facility remotely from the Grid Control Centre of Kostromaenergo. The renovation operations were performed without disconnecting consumers, but with a phased decommissioning of the equipment.

The Kostromaenergo branch completed grid connection of two transformer substations to supply power to the plant of American company National Oilwell Varco producing drilling rigs (NOV Kostroma LLC). The committed maximum capacity of the new facility is 5,381 kW; to achieve it, the Company upgraded the substation KPD, built a 10 kV distribution station and two 10 kV cable lines with a length of 4.6 km each.

Involvement of one of the world's leading manufacturers of oil and gas equipment is meaningful not only for the Kostromaenergo branch, but also for the Kostroma Region as a whole. The project plays an important social and economic role associated with an increase in the standard of living and improvement of well-being in the region. The total investment in the facility was more than RUB 4.2 billion. In addition, it is expected to create more than 300 jobs for the local community. The project has been included in the regional Register of Investment Projects with MFN treatment.

BUILDING "SMART GRIDS"

YAROSLAVL REGION

The Yarenergo branch launched a project of electricity metering system with remote data collection by installing "smart" meters on the consumers' sites. This project is implemented pursuant to the agreement signed between PJSC Rosseti and the Russian Direct Investment Fund (RDIF) at the St. Petersburg International Economic Forum in 2014.

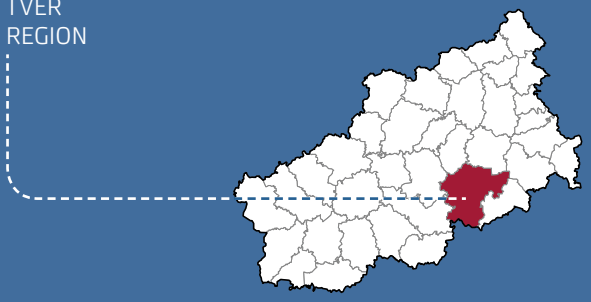
Creating this system is aimed at improving the efficiency of electricity transmission, reducing the cost of purchasing losses, organising effective control over the electricity consumption, and decreasing the cost of meter reading. The project will rein in the growth of tariffs, while consumers will be able to plan and control power consumption remotely.

INFRASTRUCTURE DEVELOPMENT IN THE CITY OF TVER

Tverenergo continues connecting new social facilities, and providing them with a reliable power supply. In 2015, connection of RIO Mall to the Tverenergo grids was completed in Tver. To ensure power supply of the new property, Tverenergo experts completed the renovation of the 110 kV substation Excavator Plant. The connected capacity is 3,000 kW.

The Mall is situated in one of the most densely populated areas of the city — the Moskovsky District with about 120 thou. inhabitants, officially. This kind of public amenity opened in the city will not only contribute to the development of infrastructure, but also provides a basis for further evolvement of trade and related businesses.

TVER REGION

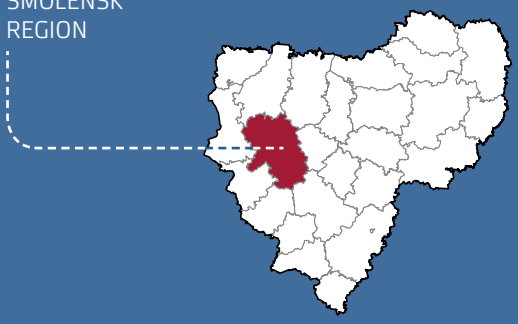


ENERGY SAVING EQUIPMENT IN THE STREETS

Smolenskenergo installed and renovated street lighting in the urban localities of the Smolensk Region. LED luminaires were installed during the upgrade of exterior lighting. In 2015, more than 1400 such LED lights were installed.

Street and highway lighting systems are heavy loaded, so daily operation of the systems is costly. In comparison with traditional light sources, LED luminaires have low energy consumption. Moreover, they are more durable, resistant to low temperatures, and cannot be overheated; they provide uniform illumination of the roadway and their disposal costs are rather low.

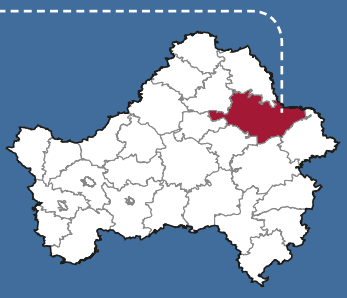
SMOLENSK REGION



ENERGY SAVING AND ELECTRIC SAFETY FOR KIDS

At the initiative of Bryanskenergo, the websites of Bryansk Region schools will have now electric safety and energy-saving lifestyle sections. As part of the cooperation agreement signed between Bryanskenergo and the Bryansk Region Education Office, energy industry professionals provided the Office with themed posters, cartoons and video clips to be the basis of the new section on the school-related web resources — Electric Safety and Energy Efficiency. In addition, the websites of Bryansk Region schools contain links to materials on electrical safety posted on the website of IDGC of Centre. Teachers use this information during the electric safety and energy efficiency classes.

BRYANSK REGION



DEVELOPMENT OF VILLAGE

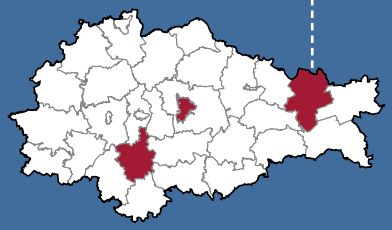
During the implementation of the regional residential construction programme, Kurskenergo supplied electricity to the first phase of a new microdistrict being built in the village of Bolshoye Soldatskoye. The project provides for construction of 40 residential buildings with a total living area of 5,200 m2. 20 houses were built during the first phase; their grid connection was provided by workers of the Kursk branch.

Electricity for the new buildings is supplied from the transformer substation 204 with capacity of 160 kVA. Our energy workers performed installation of the overhead line 0.4 kV in the shortest time; this allowed providing the developer with the required capacity of 120 kW. During the installation operations, modern and safe self-supporting insulated wires were used with a high level of reliability and long service life.

DEVELOPMENT OF SPORTS INFRASTRUCTURE

Kurskenergo completed grid connection of the sports and recreation centre (SRC) in the Kshensky settlement of the Sovetsky District, the Kursk Region. The SRC with a total floor area of 6,000 m^2 includes an all-purpose game room, a gym, fitness and yoga rooms, and a swimming pool. Maximum capacity of the SRC is 500 people.

KURSK REGION



To provide grid connection, the Kurskenergo built a modern packaged transformer substation with a voltage class of 10/0.4 kV and capacity of 2x250 kVA, two 10 kV overhead power lines, two cable lines with a voltage of 0.4 kV, and an electrical network for sewage pumping station.

WORK WITH THE YOUNGER GENERATION

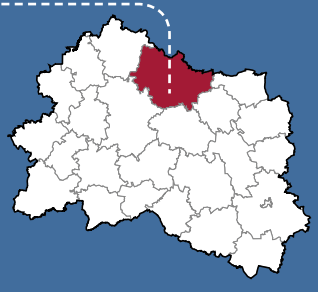
Kurskenergo, together with the Kursk Electromechanical Technical College and the Kursk Railway Transport Technical College, has organised Academic Olympics on electrical engineering disciplines for students of specialised educational institutions.

The purpose of the Olympics was to assess the quality and degree of training of the future energy workers and potential employees of Kurskenergo, and to encourage learning and creative efforts of the young people. The Olympics were held in the training centre of Kurskenergo operating personnel. All the teams demonstrated good theoretical and practical grounding in the subject.

GRID CONNECTION OF THE RESTORED HYDROELECTRIC POWER PLANT

The Orel branch provided grid connection of the restored Lykovskaya hydroelectric power plant in the village of Bolshoye Lykovo in the Mtsensky District. The HPP operation was resumed after more than 20 years of downtime.

OREL REGION



The unique character of this project is in environmental friendliness of the energy generation and recoverability of the energy sources. Its implementation will enable generation of electricity from renewable water resources of the river Zushi.

POWER SUPPLY OF SOCIALLY SIGNIFICANT FACILITIES OF THE REGION

The Belgorod branch of IDGC of Centre has supplied electricity to the socially significant budgetary institutions of the Belgorod Region. By the start of the academic year, 27 kindergartens, 8 schools, 2 sports and recreation centres and 2 cultural establishments were provided with electricity. The priority projects included the Druzhba Ice Arena in the settlement of Rakitnoe, the Centre for Cultural Development in Shebekino, the Children's Regional Hospital in Belgorod, the Medical Centre Generation, and the boiler facility of the maternity department in Stary Oskol.

DEVELOPMENT OF AGRO-INDUSTRIAL COMPLEX

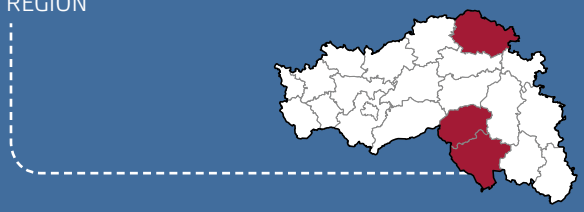
In the Belgorod Region, the agro-industrial complex continues to evolve, and the key projects in the field of import substitution are implemented. In 2015, the Company's experts provided the requested capacity to the feedlots of JSC Prioskolye in the Volokonovsky and Valuisky Districts. JSC Prioskolye is a reliability category 1 consumer. The company is one of the largest producers of chilled and frozen meat in Russia. It consists of two feed factories, vegetable stores and granaries in the Ivnyansky, Veydelevsky and Gubkinsky Districts, the grain drying unit in Prokhorovka and about 14 dairy farms, dairy units and small peasant farm enterprises. This cooperation will contribute to increasing the volume of high-quality domestic agricultural products.

UPGRADING GRIDS IN URBAN LOCALITIES OF BELGOROD REGION

The Belgorod branch renovated grids located in 12 municipal districts of the Belgorod Region and under streets in two largest cities in the region — Belgorod and Stary Oskol.

First, grids feeding the socially significant facilities and critical infrastructure were reconstructed.

BELGOROD REGION



Power lines that were built 25-30 years ago get dismantled by energy workers of IDGC of Centre and then virtually rebuilt. At the same time, power supply schemes are revised, and all violations of the PTL exclusion zone boundaries are eliminated. Obsolete equipment that fails to handle the load is replaced with new equipment. To ensure uninterrupted supply of electricity to consumers distant from the main grid, pole-mounted transformer substations are used; these TS are the R&D product of IDGC of Centre that was patented and actively used in the branches during the renovation of 0.4-10 kV grids and connection of small farms and individuals with relatively small loads. For 5 years in Belgorod Region, about 2,000 km of grids were upgraded in 150 small hamlets and villages.

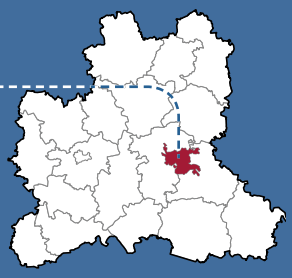
DEVELOPMENT OF TRANSPORT INFRASTRUCTURE

Belgorodenergo participated in renovation of eight highways in the Belgorod Region. Our energy workers connected the exterior lighting along new roads to the central power supply; the total road length is 50.5 km. About a thousand of modern energy efficient luminaries were installed at the highways.

The work has been highly appreciated by the regional administration, and received an official message of thanks from Evgeny Savchenko, the Governor of the Belgorod Region.

RELIABILITY AND SAFETY OF ELECTRICITY SUPPLY

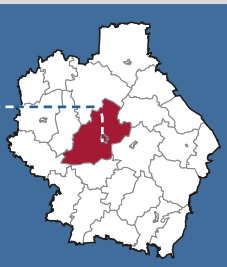
LIPETSK REGION



Lipetsk energy workers in IDGC of Centre started implementation of two innovative projects at the same time — one for construction of power lines with polymer insulators, and another one for installation of bird protective devices. The line with new polymer insulators will increase safety of energy supply, and in order to prevent birds being killed by electric shock, the energy workers will install modern bird protective devices on each power line support. Polymer insulators differ from the glass and ceramic alternatives in higher insulating ability, mechanical strength, and chemical and thermal stability.

DEVELOPMENT OF AGRO-INDUSTRIAL COMPLEX

TAMBOV REGION



Tambovenergo experts have begun to implement the first public-private partnership project (the PPP Project) in the power grid complex. It is aimed at creating power grid infrastructure for companies engaged in poultry operations — Tambov Turkey, LLC and OJSC Tokarevskaya Poultry Plant. The companies under construction will be the major agro-industrial facilities in the Central Federal District. About 3 thou. new jobs will be provided in the region with the commmissioning of the new facilities.

For implementation of the PPP Project in the Tambov Region, the Company was awarded the National Prize Rosinfra-2015 in nomination of 'The best PPP initiative in the energy sector'. Further, it is planned to share the experience obtained in the PPP sphere with other regions where the Company operates, which will enable increase in the availability of electricity and capacity to consumers and provide development and economic growth.

ASSISTANCE IN IMPLEMENTATION OF LARGE RESIDENTIAL PROJECTS

Specialists of the Tambov branch of the Company provided electricity to the rapidly growing northern area of the regional centre, where only in recent years, several large districts were built — Moskovsky, Raduzhny, Solnechny, Uyutny, with related social infrastructure (hospitals, schools, kindergartens).

Tambovenergo implemented renovation of a key element in the investment programme — 110/6 kV substation Tambovskaya 8. In the course of the project, capacity of the Tambov largest power supply centre was increased from 16 MVA to 40 MVA; the facility was fitted with modern equipment and the latest security and fire alarm systems. Now the substation meets the latest requirements in terms of reliability and quality of electricity supply to consumers.

LOW-VALUE RESISTORS

The Tambov Region has been the first region where the Company started implementing a modern process design solution — low-value resistors. The Company began to apply these devices in the Tambov Region. These new resistors were installed at the 35/10 kV substation Ekaterininskaya.

Low-value resistors are applied for selective disconnection with ground fault. Their use allows excluding negative impact of the arc high frequency voltage swells on cable lines insulated with cross-linked polyethylene, which reduce service life of the lines. Also, they eliminate the risk of injury to people and animals in single-phase ground fault. In addition, low-value resistive neutral grounding is much more cost-efficient compared to neutral grounding with arc suppression coil.

ASSISTANCE IN IMPLEMENTATION OF LARGE RESIDENTIAL PROJECTS

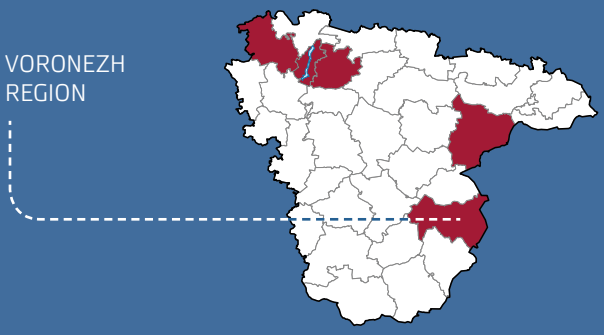
In the Voronezh Region, which is the third largest player in the Central Federal District for commissioning of newly constructed residential buildings, since the beginning of 2015, energy workers of the Company have connected to the grid 8 residential construction sites with a total connected capacity of over 25 MW. Two of them are sites chosen by regional authorities for implementation of the state programme Housing for Russian Family. Those are apartment buildings being erected in the suburbs of the regional centre — the settlement of Otradnoe in the Novousmansky District, and the first phase of the residential property Ozerki developed in the Levoberezhny District of Voronezh. Also, the residential properties connected to the Company grids in the regional centre include buildings on Perevertkina street (maximum connected capacity — 4.7 MW) and Kukolkina street (2.3 MW).

CONTRIBUTION TO HEALTHCARE

Voronezhenergo has made a significant contribution to the implementation of regional health target programmes in Voronezh Region — 34 new primary health posts (PHP) and outpatient clinics located in rural areas were prepared for grid connection. The work is carried out under the regional target programme "Development of Health in Voronezh Region for 2011 - 2015". The existing 0.4 kV power line sections were renovated and new sections were built. The total connected capacity was more than 0.5 MW. As part of the support services for grid connection, Voronezhenergo employees performed work within the competence of the applicant: installed electricity meters, provided suspension works from the boundary of balance sheet attribution to the PHP buildings using self-supporting insulated wires.

DEVELOPMENT OF THE MILLION-PLUS CITY VORONEZH

Voronezhenergo works on refurbishment of six main substations that supply electricity to the city: substations 13, 38, 42 (in Kominternovsky District), 43, 44 (Levoberezhny District) and 28 (Sovetsky District). The need for renovation resulted from rapid growth of energy consumption. It will significantly increase reliability of power supply for companies and the public in the regional centre, and will provide the possibility of grid connection of new consumers. Refurbishment of



substation 13 Studencheskaya enables the construction of large multi-storey buildings in the Kominternovsky District where very active residential construction takes place. At the same time, upgrade of the 110 kV substation 43 will make it possible to develop the left-bank part of the city, including construction of multi-storey residential properties, industrial premises and grid connection of sewage treatment facilities with design capacity of 4 MVA for the 1st category of power supply.

DEVELOPMENT OF AGRO-INDUSTRIAL COMPLEX

Voronezhenergo contributes to implementation of a number of important investment projects in the region's agro-industrial complex. In 2015, employees of the branch provided grid connection of several sites of one of the leaders in the domestic pig husbandry AGROECO Group in the Kalacheevsky and Novokhopersky Districts of the Region. Work is underway to provide the Voronezhmyasoprom feed factory being built in the territory of Semiluksky District area with power grid infrastructure. These projects have been given the status of Particularly Significant Projects; they are included in the Programme of Social and Economic Development of the Voronezh Region for 2012-2016.

Also, the Company energy professionals provide electrification of two complete cycle pig farms Trostyansky and Rastykaylovka that were recognised economically important for the Voronezh Region by the Ministry of Agriculture of the Russian Federation.

PERSONNEL RECRUITMENT

One of the goals of the Company Staffing and Social Policy is to meet the Company's required demand for qualified personnel on a timely basis.

Personnel recruitment, rotation and development programmes were created for this purpose. Priority is given to operational employees (the aim is the replacement of at least 60% of management positions by internal candidates), and the hiring of young specialists with relevant professional education. Additionally the Company implements a federal and corporate personnel mobility programme aimed at ensuring the availability of skilled personnel in regions with a labour deficit.

For the recruitment of personnel, the Company cooperates with regional employment services, participates in the development of a uniform corporate bank of vacancies and resumes (for the power grid complex). Information about the Company's vacancies is published in these open sources.

Standardized qualification requirements corresponding to each job's duties are set for candidates. All candidates are provided with equal opportunities and no discrimination is allowed.

LABOUR PAYMENT AND BONUS SYSTEM

The Company implements a uniform labour and remuneration payment system, creating conditions that attract and retain skilled personnel. The current labour payment system sets position salaries and tariff rates, taking into account the employee's qualification, business skills and experience. It includes bonuses for performance results, allowances that depend on the scope of work and working conditions, and spot bonuses.

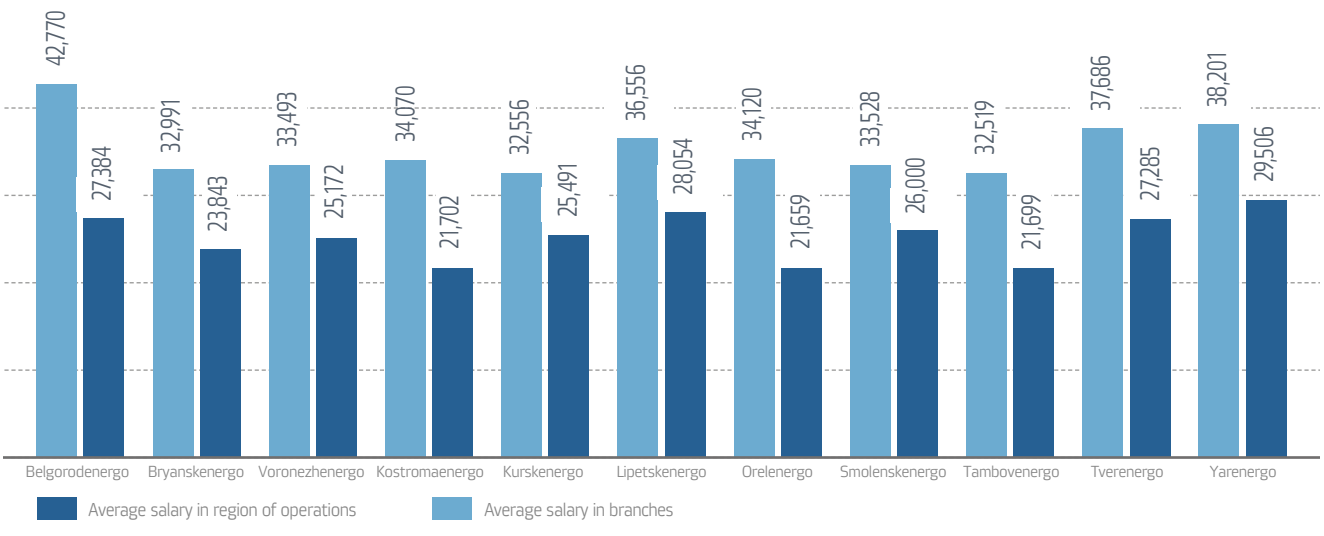
Data from Rosstat is used for the evaluation of the competitiveness of the salary, and the level of active personnel turnover is monitored. The completed analysis shows that the salary level of IDGC of Centre's employees is comparable with market conditions.

7.4 %

was the growth of average wages of employees in 2015, driven largely by quarterly indexation of the minimum monthly tariff rate

In 2015, the Company successfully implemented a number of personnel remuneration projects with the participation of the specialists from all functions and representatives of the trade union. These changes were made to implement the Programme for a gradual increase in the salary of entry level workers to MMTR level in the power generation industry, as determined by the Industry Tariff Agreement.

The average salary level of branch employees in 2015, RUB



Namely, a uniform Tariff Scale was developed for workers: a grade payment system was introduced for managers, and blue-collar staff; and the employee financial remuneration (bonus) system was revised. A system of key performance indicators (KPI) for each structural unit was developed for every branch. The number of KPIs for each unit does not exceed 4, which allows for the identification of top priorities from the unit's performance profile and to assess the efficiency of their achievement. In addition to salary position, IDGC of Centre's Collective Agreement and the internal documents of the Company provide additional payments (a variable part of the salary). These payments include: bonuses for main performance indicators, payment related to the working regime and conditions, payment for main and additional vacations, payments for the length of service, and financial assistance for vacations.

NON-FINANCIAL INCENTIVES

The Company has moral encouragement system for employees for the achievement of high operational results, the implementation of innovational projects and the length of proper service. In 2015, five of the Company's employees received Government awards from the Russian Federation; 212 of the Company's employees received departmental awards from the Russian Federation's Ministry of Energy; 204 employees received corporate awards from PJSC Rosseti; 78 employees were awarded by the All-Russian Industrial Association of Employers of the Power Generation Industry; and 594 employees were awarded by IDGC of Centre. Two employees were named on the Honors Board of the Power Grid Industry and 5 employees were listed in the Honors Book of the Power Grid Complex.

TRAINING AND DEVELOPMENT OF PERSONNEL

Development of a plan for the training, re-training and qualification improvement of the Company's personnel and the implementation of its action items is carried out in accordance with the requirements of the Rules of Personnel Management in the Power Electric Organisations of the Russian Federation and the "Procedure of Personnel Management of IDGC of Centre, PJSC" Standard.

Employees are trained on the job, in specialized educational institutions and in personnel training centres (professional training, re-training, advanced training of personnel, relevant secondary and higher vocational education for personnel). In 2015, 9,700 persons were trained on the job, whereas 11 thou. employees were trained off the job.

Share of employees who participated in training activities and the level of training relative to the payroll budget in 2015,%

Branch	Share of trained employees,%	Training in company's training centres,%	Ratio of training costs to payroll budget
Belgorodenergo	17.6	0	0.33
Bryanskenergo	47.3	11.3	0.48
Voronezhenergo	34.9	21.0	0.71
Kostromaenergo	57.2	0	0.73
Kurskenergo	51.3	0	0.40
Lipetskenergo	37.3	0	0.49
Orelenergo	31.8	20.5	0.56
Smolenskenergo	30.0	1.4	0.55
Tambovenergo	19.8	8.1	0.46
Tverenergo	45.6	27.8	0.63
Yarenergo	50.2	2.7	1.04
Executive office	40.4	0	1.09
Total across Company	37.4	8.4	0.62

The Company is the founder of three training centres:

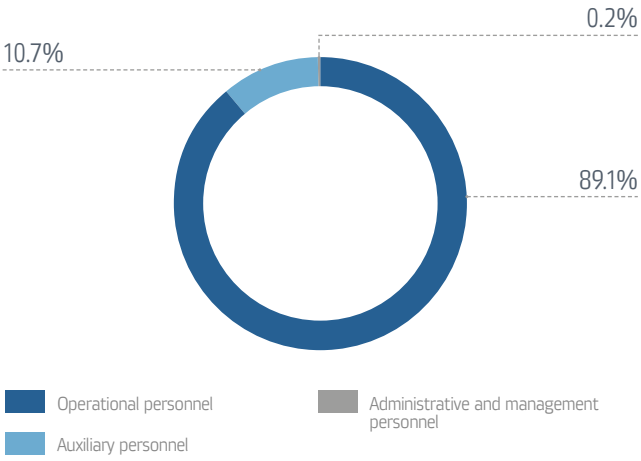
- The private institution, "Tver Production and Training Centre"
- The private Additional Vocational Education Institution, “Voronezh Training Centre Energetik”.
- The private institution for additional vocational education, “Orel Training School”).

These training centres have licences for educational activities, and classrooms equipped with modern teaching aids, simulators, computers, video and multimedia equipment. The training centres also include training facilities with power grid equipment for the development of practical skills. The training centres mainly train dispatchers, foremen, electricians, and wiremen.

2,462 of the Company’s employees, or 22.4% of the total number of trained employees, were trained at the Company’s training centres in 2015.

The Company also cooperates with a number of higher, secondary and additional vocational education institutions, including National Research University MPEI, the Saint-Petersburg Energy Institute of Advanced Training, Ivanovo State Energy University, the Academy of Standardisation, Metrology and Certification and others. The "Management and work with power generation, fuel and energy, industrial enterprises personnel" training course was organised for directors and chief engineers at Distribution Zones jointly with the Saint-Petersburg Energy Institute of Advanced Training. Heads of divisions and structural units participated in the “Successful Manager: Management Tools” training course.

Distribution of trained employees by category in 2015



10,992 people
had training with day release in 2015

20,683 people
had training in 2015

CAREER DEVELOPMENT AND SUCCESSION POOL

On an annual basis, the Company develops a succession pool and a young specialist succession pool at the central office and at the branch level. In 2015, the management succession pool for all positions of deputy general director, branch director and their deputies was renewed.

22.4 %
of the trained staff had training
at the Company's Training Centres

1,072 employees
are the youth personnel reserve

In 2001, the Company created the youth succession pool with main goals of: the engagement of young employees in finding resolutions to relevant problems of the power grid complex the improvement of their professional competence, the identification of high potential young specialists, and support for their career development. This succession pool is formed based on the competition among young specialists at the Company's executive office and its branches.

3,040 employees
are the management personnel reserve

STRUCTURE OF THE SUCCESSION POOL

In 2015, 245 managers (37.4%) out of 655 management appointments at the Company's executive office were appointed from the management and youth succession pools.

WORK WITH YOUNG SPECIALISTS

A Youth Council is created at each of IDGC of Centre's branches for efficient interaction with young employees. The Youth Forum is held on an annual basis for the development of employee's leadership skills and for the development of a non-standard, individual approach to implementation of ideas. In 2015, a forum was organised in the format of "School for Chief Engineers of the Distribution Zone". Young employees, among whom there were representatives from various specialties (i.e., heads of production; technical, operational and technology groups; masters of crews; managers; engineers; etc.) met the leadership of the company's technical unit and trade union leaders, participating in business trainings and a championship to solve practical problems in the electricity sector.

Furthermore, IDGC of Centre's branches annually organize a holiday for the initiation of young power engineers hired in the current year. This event includes: meetings with the managers of structural units, competitions of specialised knowledge, and trips to substations, grid control centres and regional museums of the power system.

WORK WITH STUDENTS AND SCHOOLCHILDREN

In order to attract talented, professionally trained youth, IDGC of Centre has productively cooperated with leading universities and relevant secondary vocational education institutions over many years. In addition to this, the Company conducts profession guidance work with schools in all regions of its presence. The most capable pupils have the opportunity to study at educational institutions that the company signed agreements with. For students who complete production and pre-degree practice at the Company, IDGC of Centre provides them with a scholarship and allocates them after graduation. Furthermore, the Company's branches hold Door Open Days for students and schoolchildren on an annual basis. The most large-scale example of the Company's interaction with educational institutions in 2014–2015 was the project for equipping the training centre at Konakovo Energy College. The training centre is designed for practising: H&S knowledge, power grid electrical equipment maintenance, process monitoring and control and other disciplines. The second facility of the training centre – a training laboratory for substation and distribution grid equipment – was opened in 2015.

For the development of cooperation with leading technical universities, IDGC of Centre organises the work of students' construction crews. This project significantly increases the level of training for graduates of technical universities, helping them to acquire a better understanding of their future profession. 171 students worked in the summer of 2015 at different units of Distribution Zones of the Company's branches.

CREATION OF THE PROPER LABOUR CONDITIONS

SYSTEM OF BENEFITS AND INTERACTION WITH THE WORKFORCE

At the Company, the relationships between employees and employers are established on the basis of a social partnership. The interests of employees are represented by the primary trade union organisation, which incorporates 11 trade unions of Centre's branches. The trade union signs the Collective Agreement with the management of the Company of behalf of the employees. The Collective Agreement applies to all of IDGC of Centre's employees.

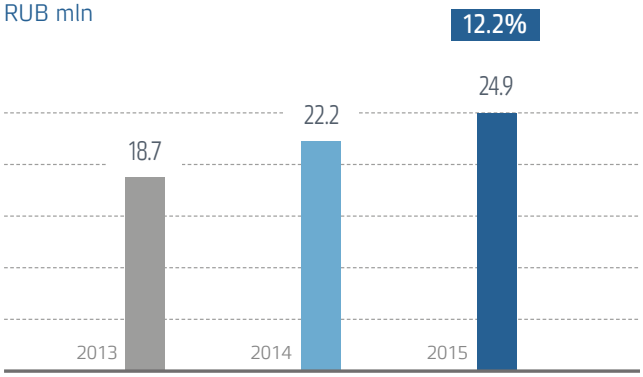
Under the Collective Agreement, the management of IDGC of Centre, jointly with the trade union, addresses the issues of: the improvement of labour efficiency and productivity, the improvement of the quality of work, compliance with labour and operational discipline, and H&S requirements. Additionally, employees are provided with social guarantees, benefits and compensations. Namely, payments are given out in case of the death of an employee at the work place, for spa and resort treatment, for taking care of disabled children, for the purchase of recreation camp vouchers for the children of employees. Payments are also provided for childbirth, marriage, for families with three and more children, etc.

HOUSING PROGRAMME

The Company has a Regulation from the Corporate Assistance and Support of the Personnel, with respect to the Improvement of Housing Conditions, approved by the Company's Board of Directors. There are Housing Commissions at of IDGC of Centre's branches.

In 2015, the Company allocated RUB 8.5 mln for the compensation of rental costs for young and highly skilled employees (152 employees) and RUB 16.5 mln for the payment of interest rates under mortgage loan agreements (200 employees).

Expenses for the improvement of housing conditions, RUB mln



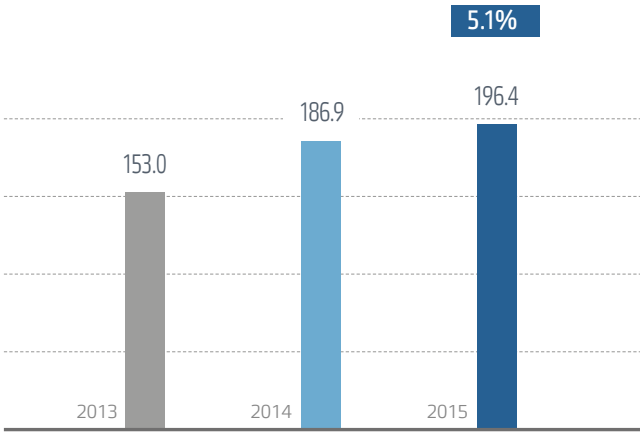
PERSONNEL HEALTH

In accordance with the Collective Agreement and Corporate Health Insurance Programme, IDGC of Centre's employees are insured by voluntary health insurance (VHI) programmes and are protected by accident and health insurance. VHI programmes provide a broad range of medical services, free of charge, including different types of medical examinations, clinical services, and in-patient and rehabilitation treatment.

In 2015, the insurance premium under VHI agreements amounted to over RUB 190 mln. Accident and health insurance agreements covered all of the Company's employees.

Sports and the promotion of a healthy lifestyle are an integral part of the Company's staffing policy and corporate culture. The Company's branches hold sports games, football, hockey, volleyball, chess tournaments, bike rides, health days, sports days for employees and members of their families, and many other events. The winners and branches' best sportsmen participate in: local regional sporting events, in sports competitions between structural units and in external competition as members of IDGC of Centre's corporate team.

VHI expenses, RUB mln



In 2015, the Summer Sports Games were held in Lipetsk. 12 teams of branch employees and the executive office of the Company took part in the Games. IDGC of Centre's Second Hockey Tournament, dedicated to the 70th Anniversary of the Victory in the Great Patriotic War, was held in February 2015 in Tver at the Triumf Sports Ice Complex.

CORPORATE PENSION SUPPORT AND VETERAN CARE

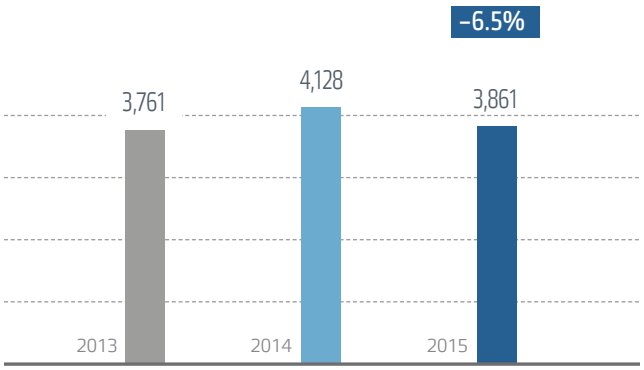
The Company has its Programme of Non-State Pension Coverage for the financial assistance of retired employees, which is annually approved by the Board of Directors. IDGC of Centre's Non-State Pension Programme is implemented based agreements for corporate and parity pension plans entered into with PJSC Non-State Pension Fund of Electric Power Industry.

Councils of Veterans are set up at each of the Company's branches linking the pensioners and the management of each branch. The Councils of Veterans helps to identify the pensioners in the most strained circumstances, and helps the management of the branches to organise joint events related to holidays and jubilees.

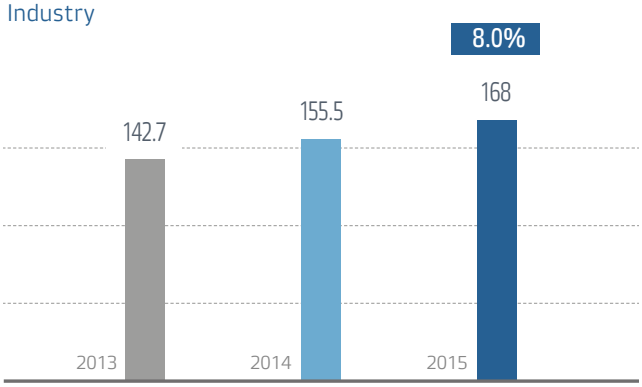
In May 2015, during celebration of the 70th anniversary of the Victory in the Great Patriotic War, the employees took part in Russian patriotic campaigns, The Immortal Regimen and the St. George Ribbon.

In 2015, the Company's financial assistance expenses for non-working pensioners and disabled persons amounted to RUB 54.8 mln.

Number of persons receiving a corporate pension



Payments to the Non-State Pension Fund of Electric Power Industry



CORPORATE VOLUNTEERING

The Company considers charity activities as one of the Staffing and Social Policy's areas of implementation, ensuring the creation of a favourable social environment in the regions of IDGC of Centre's presence.

Jointly with the Gift of Life Foundation, the Company regularly holds donor campaigns for blood donation. In 2015, employees of the Company's Belgorod branch participated in an event entitled "Become a Magician." On New Year's Eve, employees purchased toboggans, balls, and toys for children at the Ivnyansky Social and Rehabilitation Centre for Minors, located in the Belgorod Region. In addition, the Company's employees collected over RUB 150 thou. of their personal funds to equip the Centre of Psychological Support and Rehabilitation for Cancer-Stricken Children, which opened in Belgorod in October 2015.

Employees of Lipetskenergo took part in a charity event, entitled "Go Ahead and Study," in the Lipetsk Region. The goal of the event was to provide as many school supplies as possible to children from needy families. Thanks to our employees in Lipetsk, the children received new toys for the New Year during the voluntary "Gift of Father Frost" campaign.

The Company's employees also help to support their colleagues and the children of their colleagues in time of need. In 2015, the Company's employees donated around RUB 2 mln for the aid of their colleagues in tough situations.

Attention is also paid to boarding schools in the regions. The Tambovenergo branch supports a correctional boarding school for deaf children. The Voronezh branch supports a boarding school in Talovo for orphans and children deprived of parental care. Employees of the Bryanskenergo branch help a special boarding school in Mglin for orphans and children deprived of parental care.

DIALOGUE BETWEEN MANAGEMENT AND EMPLOYEES

TRADE UNIONS

The Primary Trade Union Organisation of IDGC of Centre, PJSC, is supposed to ensure a reasonable balance of interests with the positive trend in social support of employees, participating in: the creation of healthy and safe labour conditions, and the improvement of the efficiency of protecting employees' social and economic rights and interests.

The primary trade union organisation of the Company integrates 12 trade union organisations (in the executive office and in 11 branches); the trade unions have over 23 thou. members. The level of trade union membership is 82% of the total headcount of the Company's employees.

In spite of the tightening social and economic conditions in 2015, the management of the Company and the trade union committee of IDGC of Centre, PJSC, managed to: ensure average salary growth for power engineers, and to increase the attractiveness of the power engineer profession on the labour market in the regions of presence. Due to the construction of a social partnership, the parties managed to preserve high standards of social responsibility, including voluntary medical insurance, insurance for accidents and diseases, and the payment of an allowance and financial assistance for family reasons.

Jointly with the employer, the trade unions organise different events for the Company's employees. These events are dedicated to memorable dates, amateur performance events, and corporate Funny and Inventive Club events. The employees are provided with access to a sports infrastructure (swimming pools, sports grounds, etc.), and training and competitions are held (annual spartakiads, hockey tournaments, and friendly matches among the branches' teams).

Jointly with IDGC of Centre, PJSC, the trade union organisation participates in numerous social projects, and organises and holds charity events.

REVIEW OF COMPLAINTS AND PROPOSALS

IDGC of Centre, PJSC, has a system for filing complaints and proposals, both from employees, counterparties and other groups of stakeholders.

Employees are entitled to send applications to the Company's management (the Branch Director, and the General Director of the Company). The management reviews all applications and a written response is sent to the applicant to the specified address in the application. In 2015, 57 applications were sent to the Branch Directors and to the Company's General Director.

Additionally, the management and the Trade Union Committee of IDGC of Centre, PJSC, regularly hold meetings with staff in Distribution Zones, explaining the mechanisms of compensations and benefits, changes in the labour payment system and health and safety matters to the employees under the Collective Agreement.

Allegations of corruption can be reported via the telephone hotline or by email (doverie@mrsk-1.ru,) using the feedback form on the corporate website, found at http://www.mrsk-1.ru/, and by using any other methods. See more information in the "Corruption Counteraction" Section of the Annual Report.

SETTLEMENT OF DISPUTES USING OFFICIAL MECHANISMS

As per Article 392 of the Labour Code of the Russian Federation, an employee is entitled to apply to the court to settle an individual labour dispute within three months from the date he/she was supposed to have learned about any violation of their rights, and within one month from the delivery date of the copy of the order for their dismissal (or from the date of their return) to the labour book, in the case of any disputes related to dismissal.

19 employees had recourse to the court in 2015. 16 disputes were settled within a year, while 3 disputes are still being reviewed.

MATTERS CONSIDERED BY THE MANAGEMENT, TAKING INTO ACCOUNT THE OPINION OF EMPLOYEES

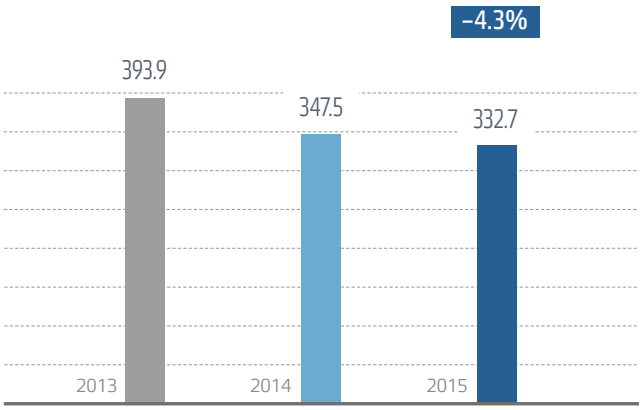
Within the framework of the Collective Agreement, the social partnership's parties jointly address the general regulation principles' development issues of social and labour relations:

- The improvement of labour efficiency and productivity, the improvement of the quality of work;
- Compliance with labour and production discipline, health and safety requirements, and occupational sanitation
- Assurance of social stability in the Company.

LABOUR SAFETY

To ensure the employees' safety at work, the Company has implemented the Injury Risk Reduction Programme for the 2015-2017 period. RUB 332.7 mln were spent on this programme in 2015, which is 4.3% lower than the cost in 2014. This gradual reduction of costs is attributable to the fulfilment of planned actions items, which, subsequently, do not require annual recurrent financing.

Expenses for the implementation of the Injury Risk Reduction Programme, RUB mln



The Company identifies the following major occupation injury risks:

- Electric current and electric arc risks;
- Risks of impact from moving machines, mechanisms, and moving parts of operational equipment;
- Risk of falling from high places (and risks of falling objects).

In the reporting period within the framework of Injury Risk Reduction Programme, the Company continued its work to ensure operational safety, the creation of optimum working conditions, and the protection of its employees' life and health, providing them with the required protective equipment.

As in the previous years, the Company has made a significant focus on the training of personnel. IDGC of Centre's branches use existing training facilities broadly, where personnel exercise the correct maintenance of electrical installation and repair operations.

4 Staff Training Centres
238 engineering classrooms

272 training sites
in the Company's service area

12.0 thousand people
had training at the training sites in 2015

12.3 thousand people
had training at the Centres and engineering classrooms in 2015

All employees who are engaged in work with harmful and hazardous conditions are trained in safe working methods and techniques. These working employees pass regular health and safety training; employees of certain categories have tests that check their knowledge of health and safety requirements.

The Company regularly performs medical examinations of its personnel. Employees engaged in harmful, hazardous and harsh labour conditions are recorded. Records are kept based on the certification data of workplace labour conditions; since 2014, a special assessment of labour conditions has been performed. Additional compensations are provided for the said categories of employees, in accordance with labour legislation and the Collective Agreement (including additional vacation time and others).

Currently, there are no employees with initially identified occupational diseases (diseases contracted while working in the Company).

[1] *Minutes from the meeting of the Board of Directors, dated 30.01.2015 No. 01/15.*

Employees authorised to work without supervision on electrical installation are provided with electricity protection equipment and special clothing. In 2015, the Company focused on purchasing of sets of arc-resistant clothing and sets of bars for the installation of temporary ground, without employees having to climb on poles of overhead lines. Almost all crews that service high-voltage lines are provided with two sets of such devices. The application of these sets significantly reduces the risk of electrical injuries and injuries caused by falling from high places.

0.0680 injury frequency
(number of cases per 1,000 employees)

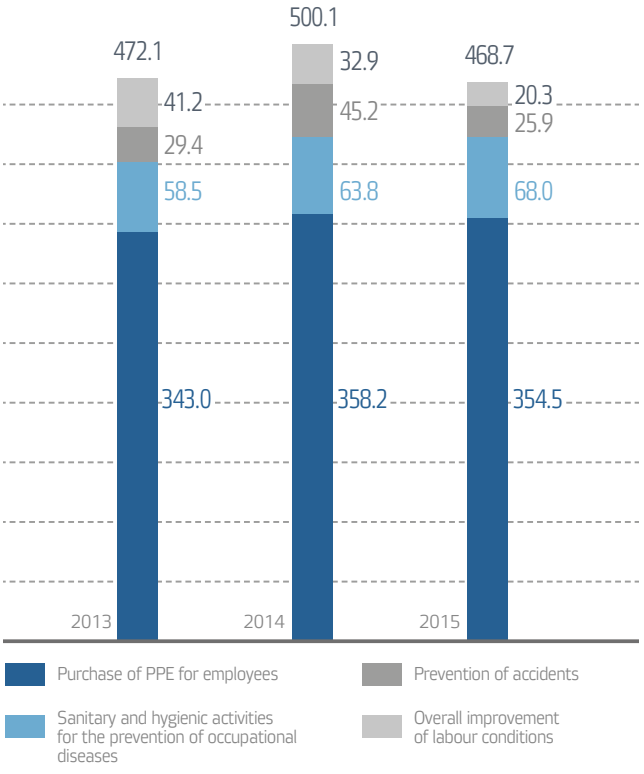
Due to preventive efforts taken by the Company, the overall number of work-related accidents has been gradually decreasing. The number of fatal injuries has remained at the same level. In 2015, the Company had 2 reported accidents at its facilities, one at Yarenergo and one at Tambovenergo. One of these accidents was fatal. In accordance with the Accident Investigation Reports, the managers of the Company are held accountable for these accidents. Both accidents were caused by an unauthorised performance of work.

Occupational injuries at the Company

Indicator	2013	2014	2015	Variance 2015/2014,%
Number of persons injured by occupational accidents, total	7	5	2	–60
Including fatal accidents	1	1	1	

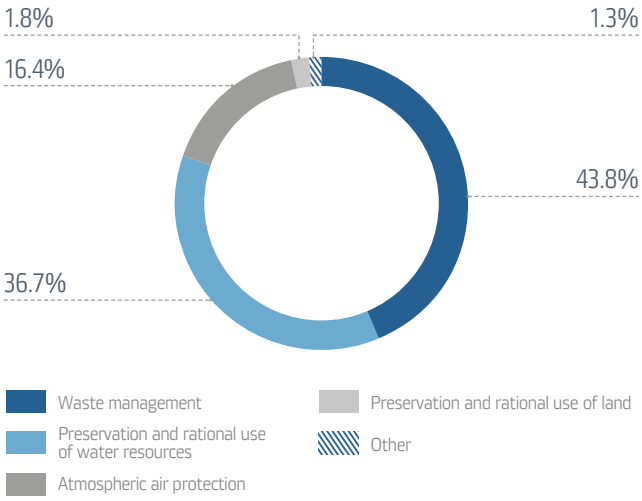
The total labour protection costs in 2015 amounted to RUB 468.7 mln, which is 6.3% lower than in 2014. Such a reduction is attributable to the reduction of spending on accident prevention measures (-42.7% compared to 2014) and an overall improvement of labour conditions (-38.2%). A significant part of these activities was performed in the previous years at a rather high level and therefore, they did not require spending in the reporting period. The spending on PPE for employees in general stayed at the level of the previous year. It is also necessary to note the annual increase of spending on sanitary and hygienic activities for the prevention of occupational diseases, due to the growth of the of medical examination costs.

Structure of labour protection costs, RUB mln

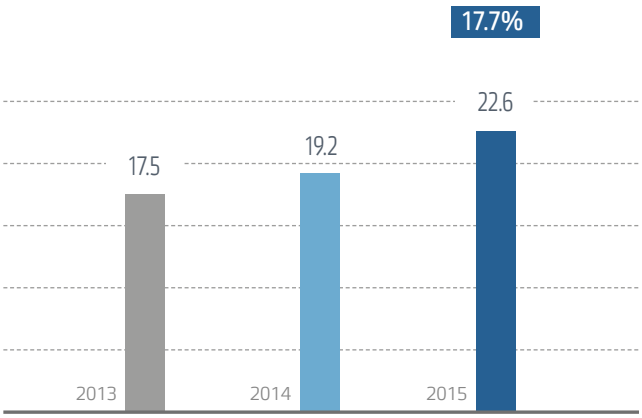


ENVIRONMENTAL SAFETY

Structure of environment protection activities costs in 2015, RUB mln[1]



Cost of environment protection activities, RUB mln



In the reporting period, IDGC of Centre's environment protection activities were performed in accordance with IDGC of Centre's Environmental Policy Programme of the 2015–2018 period, approved by the resolution of the Board of Directors (Minutes dated 30.01.2015 No. 01/15).

The Company's environmental spending in 2015 increased to RUB 22.6 mln by 17.7%. This spending increase is attributable to the growth of the number of environment protection activities implemented by IDGC of Centre's branches.

ATMOSPHERIC AIR PROTECTION

Atmospheric air protection efforts taken by the Company focus on controlling the toxicity of vehicle exhaust gas. The following measures are implemented:

- Instrumental monitoring of compliance with the maximum allowable emission limits;
- Adjustment or replacement of vehicle fuel injection equipment;
- Quarterly inspections of vehicle CO and CH exhaust gas testing logs;
- Instrumental measurements in sanitary and protection zones, landscaping and site improvement.

Gross atmospheric emissions of pollutants in 2015

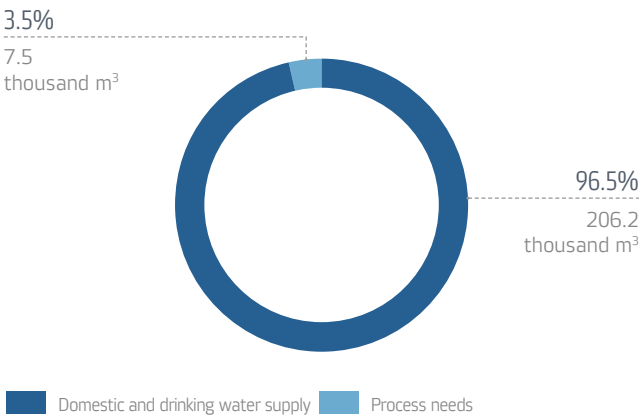
Contaminants	in thousands of m^3
Total	162.6
including:	
Solid particles	13.7
Sulfur dioxide	0.5
Carbon oxide	78.2
Nitrogen oxide (equivalent to NO2)	6.8
Hydrocarbons (without volatile organic compounds)	0.3
Volatile organic compounds	62.9
Benzapyrene	0.05

[1] *The expenditures for technical activities were not allocated in the Environmental Policy Programme and were included in the Investment Programme budget.*

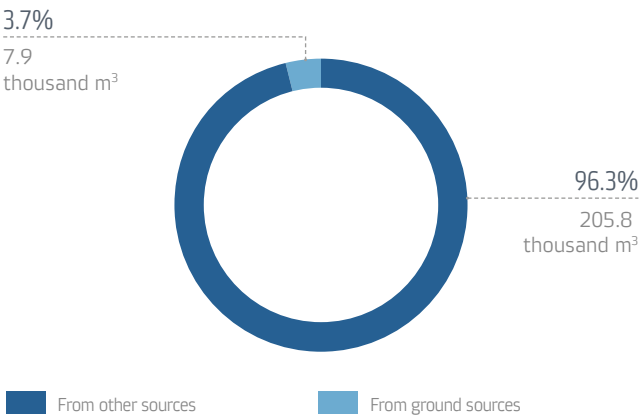
PRESERVATION AND RATIONAL USE OF WATER RESOURCES

The Company performs a laboratory analysis of the microbiological, radiological and chemical parameters of ground and discharged wastewater, and a comprehensive treatment of sewage wells and systems. The allowable concentrations of harmful impurities in discharge wastes are monitored. Samples are regularly taken from water wells for quality evaluation.

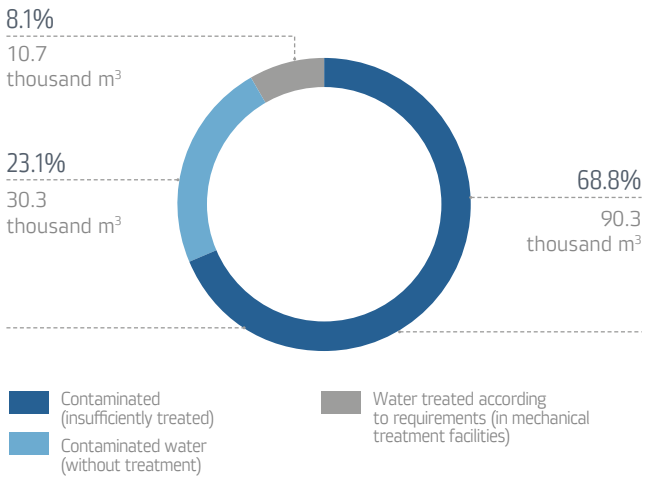
Water intake in 2015



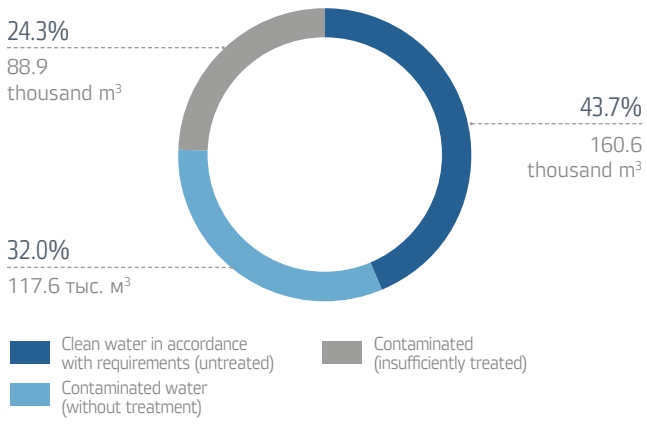
Water usage in 2015



Water disposal into the surface water bodies in 2015



Land water disposal in 2015



PRESERVATION AND RATIONAL USE OF LAND

In order to reduce harmful impact on soil and ground, the Company has set up of sites for the accumulation of oil-containing equipment, used oil, scrap metal and wood poles.

WASTE MANAGEMENT

In order to manage waste, the Company has set up sites for waste accumulation; it also segregates hazardous waste into different classes and marks containers appropriately. Special attention is paid to monitoring the accumulation of used mercury lamps. Compliance with the established maximum emissions allowed and their discharge is regularly monitored in waste accumulation areas. For the processing, disposal and burial of waste produced, the Company signs respective agreements with specialized organisations.

UPGRADING OF OPERATIONAL FACILITIES

In 2015, the Company continued to replace oil circuit breakers with gas-insulated and vacuum circuit breakers. Such circuit breakers have a high reliability rate; they are fire safe and environmentally safe, unlike the oil ones. Additionally, the Company performed an overhaul of oil circuit breakers, repairing the oil receivers of transformers and drainage devices, replacing oil-filled bushings with solid insulation bushings. Old vehicles were written off and new vehicles with reduced fuel consumption and an environmental safety class of Euro-2 and higher were purchased.

In order to protect birds from the impact of electrical currents, 1,168 bird guard devices were installed on the 35-110 kV overhead lines. Another efficient method for protecting birds from contact with power transmission lines is the application of a self-supporting insulated wire, covered by a special polymer shell that does not require any additional devices for ensuring its safety. Overall, the length of such lines increased almost by 3,500 km in 2015.

For the further reduction of a negative environment impact, the Company also commissioned indoor substations with gas-insulated mono-blocks and dry 6-10/0.4 kV transformers including TSN 10-35 kV.

1,168
scaring devices were installed to protect birds from electric shock on 35-110 kV overhead lines

by 3.5 thousand km
the length of lines for additional protection of birds was increased

THIRD PARTY SAFETY

The programme envisages items of action in the three main focus areas:

- Work for ensuring the safe condition of power grid facilities;
- Awareness raising activities;
- Safe performance of work by contractors.

In 2015, the Company's the Board of Directors approved a Programme for reduction of third party injury risks in IDGC of Centre's facilities for the 2015-2017 period. (Minutes dated 30.01.2015 No. 01/15)

ASSURANCE OF THE SAFE CONDITION OF POWER GRID FACILITIES

In the reporting year, the Company carried out work to identify and correct violations related to the unauthorised construction in protected zones. Overhead lines and substations were relocated from school, playground, and large residential areas. The Company's specialists replaced non-insulated wires with safer, more advanced self-supporting insulated wires. Within the framework of the investment programme, 10-110 kV power lines and overhead lines in unauthorised construction facilities were relocated from protected zones. Over 23 thou. warning posters and signs with additional information about the risk of electric shock were installed in populated areas near public places, institutions for children, and on the banks of bodies of water in fishing areas. Additionally, within the framework of the 2015 Repair Programme, electrical installations in poor and non-operational condition were brought into compliance with regulatory requirements.

PREVENTION WORK DONE FOR RAISING THE POPULATION'S AWARENESS

In 2015, the Company's specialists continued its work in prevention awareness with local communities, primarily with children and teenagers, aimed at the prevention of electrical injuries. Over 1,800 classes were held for schoolchildren and students; child injury prevention cartoons and videos were produced. Electrical safety information messages were published in the mass media; they were also printed on the back of utility service payment bills. Land users, local authorities and entrepreneurs also received notices on the rules of the safe functioning and operation of power grid facilities.

PREVENTION OF INJURIES AMONG CONTRACTOR'S PERSONNEL

The management of work done by contractors and the investigation of each accident is performed in accordance with labour protection law requirements and the Company's relevant internal documents. The conditions of labour protection and injury rates are taken into account for the selection of contractors; a mandatory check of availability, the quality of design and technical documentation is performed. The sections specifying safe work performance obligations are included in standards agreements with contractors.

Due to the efforts taken by the Company, the number of injuries from third parties decreases every year. Namely, in 2015, the total number of injuries decreased by more than 60% in comparison with 2014.

549.8 RUB mln
costs of implementing the Programme to reduce risks of injury to third parties in 2015

Number of third party injuries at Company's facilities

2013	2014	2015	Variance 2015/2014,%
21	16	6	–62.5

PROCUREMENT ACTIVITIES

IDGC of Centre, PJSC's procurement activities in 2015 were performed based on the Regulation on Procurement of Goods, Work and Services for IDGC of Centre, PJSC. The main principles of the procurement activities were defined by the Procurement Policy, approved by the Resolution of the Board of Directors (Minutes dated 14.07.2014 No. 16/14) as an internal document of the Company. Detailed information about the main principles of procurement activities and the methods, conditions and formats of procurement procedures at IDGC of Centre is provided in the Company's annual reports.

Since 1 February 2015, IDGC of Centre, PJSC has commissioned an automated procurement management system (ASUZD – http://asuzd) for the improvement of procurement activities.

PLANNING OF PROCUREMENT ACTIVITIES

The Company performs procurement activities based on annual plans that pass the Board of Directors' preliminary approval. The procurement plan is developed in accordance with the needs of the Company and includes both cost parameters and the methods and timing of procedures.

The procurement plan takes the reduction of investment costs into account within the framework of the implementation of the Russian Federation's Development Strategy for the Electric Grid Complex. The planned (limit) purchase price of investment projects, with respect to electric grid facilities of capital construction, is calculated by taking the reduction of investment costs by 30% (relative to the 2012 levels) into account.

At the end of the year, the management presents the annual procurement plan report to the Company's Board of Directors.

RESULTS OF PROCUREMENT ACTIVITIES IN 2015

The procurement value in the reporting year amounted to RUB 27,579.9 mln, which is almost 14% higher than in 2014. The economic efficiency of procurement was also improved.

27,579.9 RUB mln
was the volume of purchases during the reporting year

Procurement in 2014–2015

Indicator	2014		2015	
	Number of purchases	Amount RUB mln (without VAT)	Number of purchases	Amount RUB mln (without VAT)
Total	7,463	24,273.8	8,067	27,579.9
Economic saving based on the results of procurement procedures	4.1%	1,030.6	6.1%	1,793.1
Procurement using e-commerce systems	6,556	22,653.3	7,462	27,097.5
Conditionally-permanent purchases	1,991	5,708.6	2,194	6,903.8

[1] *The Regulation was approved by the Resolution of the Board of Directors, Minutes dated 13.06.2013 No. 15/13, with amendments approved by the resolutions of the Board of Directors: Minutes dated 16.04.2015 No. 08/15, Minutes dated 24.06.2015 No. 13/15.*

Open procurement procedures account for the majority of the Company's purchasing. The share of open procurement procedures (open tenders, open auctions, open requests for proposal, price requests, competitive negotiations, requests for prices/bids based on the results of open competitive negotiations) in the procurement structure amounted to 96.1% of the total number of completed procurement procedures and 99.1% of the total amount of procurement in monetary terms.

The share of single-source procurement in 2015 was insignificant – 0.9%. The Company does not perform closed procurement procedures.

Procurement structure in the 2013–2015 period, depending on the method of procurement procedures, RUB mln, without VAT

Procurement method	2013	2014	2015
Open	26,914.6	22,887.3	27,341.7
Closed	0	0	0
Single source	998.1[1]	1,331.9[2]	237.9
Simple and small procurement	269.5[3]	54.6	0.3
Total	28,182.2	24,273.8	27,579.9

Purchases from a single source

The structure of the procurement	2013	2014	2015	Variance 2015/2014, p. p.
Share of single sourcing,% of total number of purchases	3.5	5.5	0.9	–4.6
Including				
Agreement with PJSC Rosseti	2.4	4.8	–	–4.8
Single source procurement except agreement with PJSC Rosseti	1.1	0.7	0.9	0.2

[1] *Includes agreement with PJSC Rosseti for the amount of RUB 684.8 mln without VAT.*

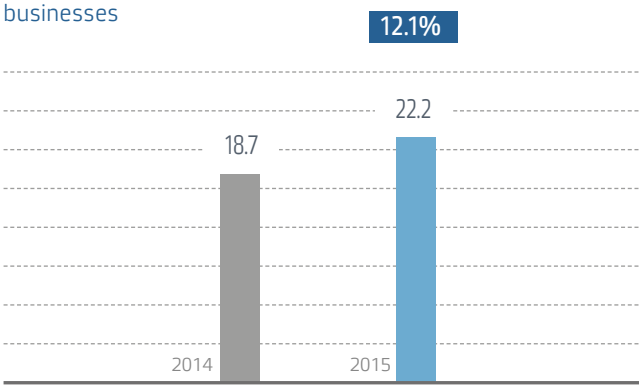
[2] *Includes agreement with PJSC Rosseti for the amount of RUB 1,153.9 mln without VAT.*

[3] *Including non-regulated procurement for the amount of up to RUB 500 thou. with VAT in accordance with Regulation on procedure of regulated procurement of goods, work, services for the needs of IDGC of Centre, PJSC, that was in force before 10.06.2013.*

PROCUREMENT FROM SMALL AND MEDIUM-SIZED BUSINESSES

50 %
of all purchases in 2015 made from small and medium-sized businesses

Number of purchases from small and medium-sized businesses



The company continued its work within the road map for cooperation with small and medium-sized businesses. More than 6 thou. procurement procedures were completed in 2015, which is 12% higher than in 2014. The Company did not hold any procurement procedures in 2015 with the condition for engaging small and medium-sized businesses as subcontractors.

Procurement from small and medium-sized businesses in 2015

Purchase method	Purchases	Amount RUB mln (without VAT)
Total	6,033	13,777.8
Including		
From small and medium-sized businesses based on the results of tenders, other procurement methods with participation of any parties specified in Part 5 of Article 5 of Federal Law "On Procurement of Goods, Work, Services by Certain Types of Legal Entities[1]"	2,315	6,872.8
From small and medium-sized businesses based on the results of tenders, other procurement methods with participation of only small and medium-sized businesses[1]	106	956.3

[1] *In accordance with the calculation on Regulation of the Russian Federation Government of December 11, 2014, No 1352 "On the Peculiarities of Small and Medium-Sized Businesses' Participation in Procurement of Goods, Work, Services by Certain Types of Legal Entities"*

PUBLIC RELATIONS

Following the principles of information openness, availability, promptness and reliability of information, IDGC of Centre's PR priority is the implementation of a single internal and external information policy and the development of integrated communication.

INFORMATION CAMPAIGNS

In 2015, IDGC of Centre launched information campaigns covering the preparation for the autumn and winter period, the improvement of energy efficiency, the prevention of third party injuries at power grid facilities, the development of IT infrastructure, other operational programmes and an explanation of the procedures of the connection to the Company's power grids.

The broad geography of printed mass media and its business and social focus helped to convey the information about different aspects of activities of IDGC of Centre to all main target audiences. In 2015, more than 290 press releases about the Company activities were prepared and circulated in the mass media.

GOVERNMENT RELATIONS

For the arrangement of interaction with executive power authorities in the subjects of the Russian Federation in 2015, the Company management held meetings with the heads of the Smolensk, Tambov, Tver and Yaroslavl regions. During the meetings, issues of cooperation concerning the implementation of activities ensuring the reliable power supply and creation of conditions for the connection of consumers to power grids, and the prevention of capacity shortage in the area of IDGC of Centre, PJSC's operations of were discussed.

PARTICIPATION IN PUBLIC EVENTS

In 2015, IDGC of Centre's specialists took part in different congresses and exhibitions at the federal and regional level, including RUGRIDS-ELECTRO-2015 and ENES. At these events, IDGC of Centre, PJSC, presented innovative solutions and advanced technologies applied by its power engineers at work and implemented the Company's energy saving and energy efficiency projects. The Company's specialists took an active part in the work of discussion platforms.

In 2015, the Company also participated in such large-scale events as the Saint-Petersburg International Economic Forum and the Sochi International Investment Forum.

In all regions of the Company's operation, it takes an active part in patriotic and social events.

Before the celebration of the 70th Anniversary of Victory in the Great Patriotic War, the Company implemented a social project entitled "The Story of a Feat". The goal of the project was to tell to as many people in Russia as possible about the unknown feats of their countrymen who struggled for victory. The Company created the website историяподвига.рф, where everyone can share the war stories of their families, relatives and acquaintances.

The Company also pays significant attention to the preservation of the memory of the soldiers and people who fought at the fronts of the 1941-1945 Great Patriotic War and the immortalisation of their feat. In 2015, the representatives of Bryanskenergo reconstructed and redeveloped a monument and bed of honour to the partisans and their families in Klintsy, and took the military cemetery in Golubeya village under their patronage.

A project for the construction of a monument to sailors from Yaroslavl killed during the Great Patriotic War and in the post-war period is being implemented in the Zavolzhsky District of Yaroslavl Region and the Yarenergo branch is participating in this project.

In the reporting year, all branches again conducted a tree planting campaign entitled "Save the Energy of the Forest".

CORPORATE COMMUNICATION AWARDS RECEIVED IN 2015

In 2015, IDGC of Centre became the winner of a number of industry competitions:

- According to the result of open internet voting in the first all-Russian competition for the media of press services for fuel and energy complex companies, IDGC of Centre's project "Information Openness – a Step Towards the Customer" took second place in the category "Press Service/PR Services of Federal Fuel and Energy Complex Companies"; nominated for "Open Press Office", the Company's website won the silver medal for "The Best Company Website".
- Two of IDGC of Centre's projects "Energy of Victory – the Longest St. George's Ribbon" and "Energy Efficiency: from the Simple to the Complex" became laureates of the national programme "The Best Social Projects of Russia".

The Company also received awards from the professional community:

- The project "The Promotion of energy conservation and efficiency" was the winner in the category "The Promotion of State and Public Programmes" award in the field of public relations "RuPoR - 2015".
- IDGC of Centre's corporate newspaper supplement for Rosseti won in the main competition category "Efficient editorial concept and content" at the "Silver Threads" National Competition of the Corporate Media. The special edition of the supplement, dedicated to the 70th anniversary of the Great Victory, excelled in the professional category "Best Theme Tab in Corporate Media". The corporate website of the Company was the best in the main competition category "High Level of Solution of Corporate Objectives".
- The PR-service of IDGC of Centre won the KonTEKst competition in the category "Social Energy" for the best coverage of the topic "Social and labour relations in the electric power industry of Russia" by the corporate media of power companies.

04 Financial analysis

8.5 %

reduction of operating expenditure on the basis of 2015

2.7
bln RUB

the effect of reducing investment costs

CREDIT RATINGS

Standard & Poor`s: "BB-/B/ruAA-", Stable Outlook

IDGC of Centre had credit ratings assigned by Standard & Poor's, one of the key international rating agencies, and by the National Rating Agency.

Credit ratings are used by credit organisations and potential investors to assess the Company's ability to meet its financial obligations and to return investments, with the rating agencies considering the financial history of the Company, the volume and the structure of its assets and of its commitments.

At the beginning of 2015, Standard & Poor's downgraded the global Russian rating to "BB+/B" with a negative forecast, due to the worsening geopolitical situation, problems in Ukraine, the decline of international oil prices and other macroeconomic factors.

Later on, the rating agency reconsidered the credit ratings of a number of Russian companies, including IDGC of Centre. As a result, on February 4, 2015, the Company's credit rating was downgraded from "BB/B" to "BB-/B" with a stable outlook; the national scale rating was downgraded from "ruAA" to "ruAA-". Despite this, the Company's own creditworthiness was not assessed.

According to S&P, the Company is less exposed to credit risk in the short term (as compared to companies with lower category ratings); however, in the long term, the changing business and economic environment may have a negative effect on the Company's ability to meet its financial commitments.

The Company holds regular annual meetings with Standard & Poor's representatives in order to lower their concern for the current situation in this sector, slow economic growth, the risk of electricity consumption decrease and ongoing investment expenditures following the worsening economic situation.

At the meeting held in December 2015, the analysts of Standard & Poor's and the Company's top management discussed the Company's structure, current strategy and implementation, and the Company's financial performance and tariff regulation.

These credit ratings and their explanations are published on the website of the agency.

National Rating Agency: "AA", very high creditworthiness, second level

In December 2015, the National Rating Agency confirmed the rating of AA, very high creditworthiness, second level.

The rating was first assigned in 2007 at A level, high creditworthiness, second level. In 2013, the National Rating Agency increased the rating to AA, very high creditworthiness, second level, which the Company has retained for over 2 years.

TARIFF POLICY

The main activities of IDGC of Centre are regulated by the Government, which sets tariffs (rates) as part of the state tariff regulation programme.

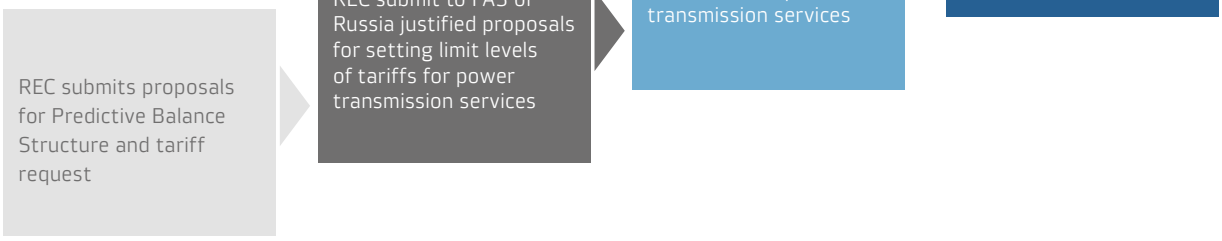
SETTING OF TARIFF FOR THE MAIN ACTIVITIES

FAS	REC
Federal Antimonopoly Service	Regional authorities in the field of state regulation of tariffs
Limit minimum and (or) maximum tariffs for power transmission services for regional grid organisations	Power transmission services tariffs in the respective region within the limit tariff levels
Power transmission services for UNPG (services of PJSC FGC UES)	Payment for connection to distribution grids

TARIFFS FOR ELECTRICITY TRANSMISSION SERVICES

Tariff setting for electricity transmission services has the following stages:

Levels of decision making in the setting of tariffs for electricity transmission services



In 2015, two methods were used for setting electricity transmission tariffs at the Company's branches, in particular RAB regulation and long-term indexation of the required gross revenue (RGR). The regulation method for each of the Company branches was chosen by the corresponding REC, based on the provisions of Order No. 1178 by the Russian Government dated December 29, 2011.

The description of the methods applied

Method	RAB-regulation	Long-term indexation RGR
Branches:	• Belgorodenergo • Voronezhenergo • Kostromaenergo • Kurskenergo • Orelenergo • Smolenskenergo • Tambovenergo • Yarenergo	• Bryanskenergo • Lipetskenergo • Tverenergo
The required gross revenue (RGR) is fixed in accordance with:	System Guidelines as adopted by Decree No 228-e of the Federal Tariff Service of the Russian Federation dated March 30, 2012	System Guidelines as adopted by the Decree No 98-e of the Federal Tariff Service of the Russian Federation dated February 17, 2012
RGR includes the following:	• Costs related to production and sales of products (services) in the regulated type of business (controlled and uncontrolled) • Costs for share capital and borrowed capital return • Return on invested capital • Leveling • RGR adjustment	• Controlled costs (OPEX) including dividends, costs under collective agreements, and other costs paid from profit • Uncontrolled costs (amortisation, the cost of repayment and servicing of borrowed funds, capital investments paid from profit) • RGR adjustment
Long-term parameters of regulation for RGR calculation:	• Base level of operational costs • Efficiency index of operational costs • Amount of invested capital • Net working capital • Rate of return on invested capital • Payback period of invested capital • Elasticity index of controlled costs per amount of assets • Standards of technological costs (losses) as adopted by the Ministry of Energy of the Russian Federation • Reliability and quality levels for products (services) delivered	• Base level of controlled costs • Efficiency index of controlled costs • Elasticity index of controlled costs per amount of assets • Norms of technological costs (losses) for electricity transmission • Reliability and quality levels for products (services) delivered

The RAB regulation provides for the return of capital invested in the Company's assets in the specified period, and for a standard return. The rate of return on the 'new capital' is defined by the Federal Tariff Service, and it is defined on the 'old capital' by REC.

THE ACTIONS TAKEN IN 2015 THAT AFFECTED THE TARIFF POLICY

- On July 21, 2015, the Federal Tariff Service of Russia was abolished by the Decree of the President of the Russian Federation and its powers were given to the Federal Antimonopoly Service of Russia.
- The RECs' decision to revise the tariffs for electricity transmission services, starting from July 1, 2015, pursuant to Decree No. 458 by the Government of the Russian Federation dated May 11, 2015, "On the approval of amendments to certain acts of the Government of the Russian Federation in order to improve the procedure of electricity volume purchase at the wholesale market for delivery to households and to equivalent categories of consumers and of electricity volume purchase by the Unified National Power Grid".

TARIFF TRENDS

The weighted average 'boiler' tariffs for electricity transmission services in 2011–2015 were as follows

Parameter	Measurement unit	2011	2012	2013	2014	2015**
Average tariff for electricity transmission services	cop/ kWh	126.55*	128.37	141.52	146.57	148.36
Increase	%	13.8%	1.4%	10.2%	3.6%	1.2%

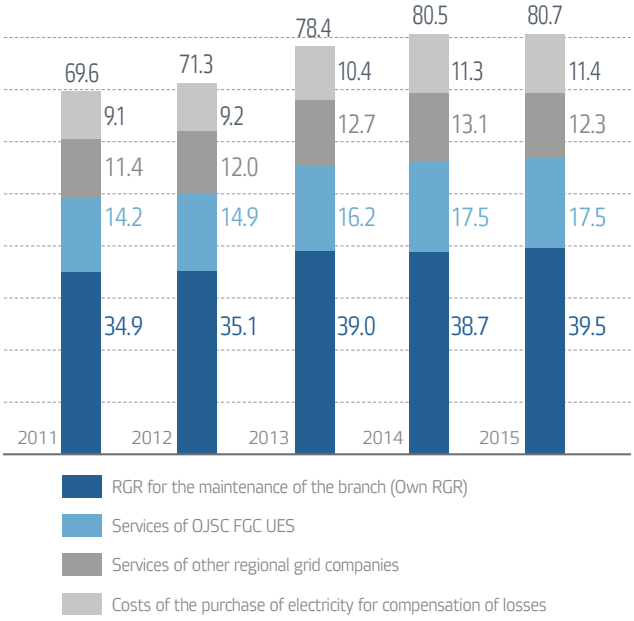
The trends in the average 'boiler' tariffs for electricity transmission services from 2011–2015 are shown by branch in Appendix 3.5 to this Annual Report.

You can find the information on electricity transmission tariffs on the Company's website.

** The tariffs for 2011 are given based on the last approved tariffs (pursuant to Decree No. 1172 by the Government of the Russian Federation dated December 27, 2011 "On approval of the rules at the wholesale electricity market and on making amendments to certain acts by the Government of the Russian Federation related to functioning of the wholesale electricity market"). The average annual tariff in 2011 (with all the revisions) was 129.67 kopecks/kWh.*
*** With the tariff revision from July 1, 2015 pursuant to Decree No. 458 by the Government of the Russian Federation dated May 11, 2015, "On approval of amendments to certain acts of the Government of the Russian Federation in order to improve the procedure of electricity volume purchase on the wholesale market for delivery to the households and to equivalent categories of consumers and of electricity volume purchase by the Unified National Power Grid".*

REQUIRED GROSS REVENUE (RGR)

RGR trends in 2011–2015, RUB mln



Due to the tariff regulation, the 'boiler' RGR of the Company in 2015 (with the tariff revision from July 1, 2015) amounted to RUB 80,702.6 mln, which is a 0.3% increase compared to 2014. The own RGR of the Company increased by RUB 800.1 mln (+2.1%).

The RGR trends from 2011–2015 are shown by branch in Appendix 3.5 to this Annual Report.

The largest increase of the Company's own RGR was seen at two branches, namely, Belgorodenergo with RUB 819 mln (11.7%) and Tambovenergo with RUB 272.6 mln (13.1%).

The RGR decreased at Bryanskenergo (4.8%), Voronezhenergo (2.3%), Lipetskenergo (2.3%), Orelenergo (2.0%), and Yarenergo (7.3%).

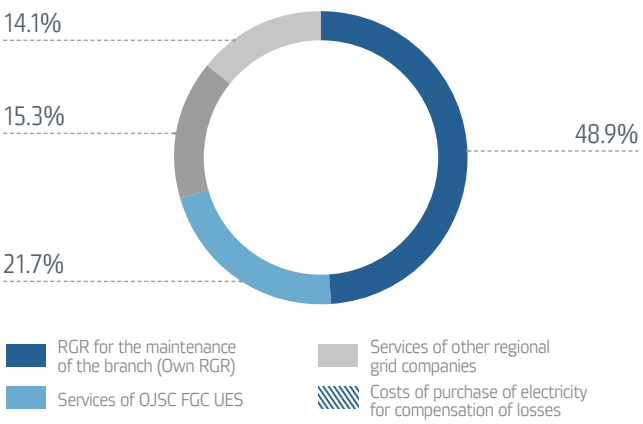
In the structure of 'boiler' RGR, the largest share is that of the RGR for the maintenance of the Company branches (48.9%), whereas the costs for services by the Federal Grid Company of Unified Energy System amount to 21.7%. The RGR structure has not changed much since 2014.

RGR trends in 2011–2015 by branches, as well as the evaluation of the Company's share in the RGR regions are given in Annex 3.5 to this Annual Report.

EXPLANATIONS OF AVERAGE TARIFF TRENDS AND RGR TRENDS

Despite the energy consumption decrease caused by the worsening economic situation in Russia, the Company provided secured long-term regulation parameters and RGR for the maintenance of the Company as a whole. The augmentation of electricity transmission tariffs in 2015 was 7.5%, which is in accordance with the tariff restrictions by the Ministry of Economic Development of the Russian Federation (hereinafter – the MED) and at the level of the maximum electricity transmission tariffs approved from July 1, 2015.

RGR structure in 2015



At two branches – in the Belgorod and Kursk Regions – which have the highest electricity consumption via the facilities rented by ENES, the Company held the additional tariff augmentation by 2%, in excess of the limits fixed by MED, to compensate for the Company's "shortfall in income".

The Federal Tariff Service of Russia approved an additional excess of 4% of the standard tariff increase in Voronezh (Decree No. 2421-e dated December 29, 2014), with this excess being due to an additional increase of the straight-line boiler tariff.

Since June 1, 2014, the functions of guaranteeing the electricity supplier in the Bryansk Region were given to TEK-Energo LLC. A mixed 'boiler' scheme of settlements between the grid companies has been functioning since September 1, 2014. The Company set an individual electricity transmission tariff for mutual settlements between Bryanskoblenergo LLC and the Bryanskenergo branch. As a result, in 2015 electricity transmission tariffs in the Bryansk Region were approved based on the mixed 'boiler' scheme of settlements. For this reason, the comparison of 2015 and 2014, in relation to an increase of the average straight-line tariff, cannot be made.

TARIFFS FOR GRID CONNECTION SERVICES

The tariffs for grid connection services are regulated by RECs, using one of the following methods:

Setting of tariff rates for grid connection services:

at the choice of applicant:

- Standardised tariff rates (RUB/km, RUB/kW)
- Rates per unit of max. power (RUB/kW)
- Payment for customers and facilities for generation power Power at least 8,900 kW and at the level of voltage of not less than 35 kW based on individual design

Since 2013, the fees and rates for electricity grid connection have been defined pursuant to the Methodological Guidelines approved by Decree No. 209-e/1 of the Federal Tariff Service of Russia dated September 11, 2012.

Pursuant to these guidelines, the rates per maximum capacity unit are set in the prices of the regulation period, and the standardized tariff rate for coverage of the grid company's construction costs, in the prices of the year 2001.

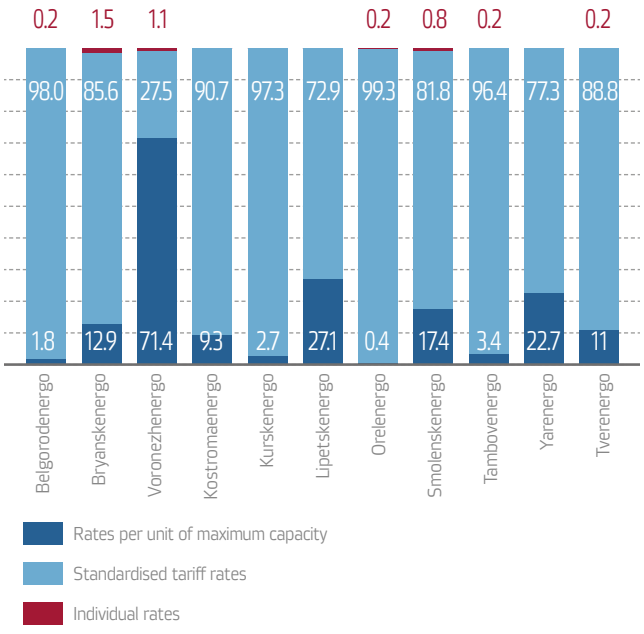
PRIVILEGED GRID CONNECTION TERMS

The Company has special privileged grid connection terms for individuals with the capacity not exceeding 15 kW inclusive, as well as for gardeners, countryside associations and other non-profit organisations (garage cooperatives), and religious organisations; the fee is a maximum of RUB 550[1].

The privileged terms for grid connection are defined in paragraph 17 of the Rules for grid connection to power receiving devices, approved by Decree No. 861 of the Government of the Russian Federation dated December 27, 2004.

In 2015, over 90% of the contracts concluded with the consumers were in privileged categories. Other consumer categories used the following fee calculation options in the reported year:

Choice of grid connection fee in 2015, %



[1] *For connections with the third category of reliability and with power receiving devices at a distance to existing transmission facilities of not more than 300 meters in cities and 500 meters in rural areas.*

Since October 1, 2015, the investment part of the fee for grid connection to power receivers, with a maximum capacity of not more than 150kW, may not exceed 50%.

The costs of connection for privileged consumer categories, which are not included in a fee for grid connection ("shortfall in income"), are compensated by electricity transmission tariffs.

In 2015, the 'lost earnings' included in the electricity transmission tariffs amounted to RUB 551 mln.

'Shortfall in income' by branch were as follows

Branch	'Shortfall in income, RUB thou.	Reason (statutory acts of the regulatory authorities)
Bryanskenergo	24,577.44	Decree No. 54/27-pe of the Administration of State Tariff Regulation Commission of the Bryansk Region, dated December 18, 2014
Voronezhenergo	48,919.20	Decree No. 59/16 of the Administration of State Tariff Regulation Commission of the Voronezh Region, dated December 26, 2014
Kostromaenergo	13,539.26	Report of the Department of State Regulation of Prices and Tariffs of the Kostroma Region, concerning the long-term regulation parameters of IDGC of Centre on the territory of the Kostroma Region for 2015 dated December 24, 2014
Kurskenergo	101,992.80	Decree No. 112 of the Tariff and Price Committee of the Kursk Region, dated December 9, 2014
Lipetskenergo	298,489.81	Decree No. 53/2 of the Department of Energy efficiency and Tariff regulation of the Lipetsk Region, dated December 12, 2014
Orelenergo	3,667.21	Decree No. 2425-t of the Tariff Regulation Commission of the Orel Region, dated December 29, 2014
Smolenskenergo	16,939	Decree No. 470 of the Department of Energy efficiency and Tariff policy of the Smolensk Region, dated December 25, 2014
Tambovenergo	19,956.55	Decree No. 222-e of the Tariff Regulation Administration of the Tambov region dated December 23, 2014; extract from the Minutes No 76 of the Tariff regulation board meeting of the Tambov Region, dated December 26, 2014 (page 11)
Yarenergo	42,835.05	Decree No. 317-e/tp of the Energy Efficiency and Tariff Regulation Department of the Yaroslavl Region, dated December 18, 2014

TARIFF DIFFERENTIATION CRITERIA

The grid connection tariff rate for any applicant consists of several components that are set based on the following costs by the grid company (to cover its own expenses):

- costs of grid connection to power receiving devices, including preparation and issues of technical specifications to the applicant, control of whether the applicant observes the technical specifications, inspection of the power receiving devices at the applicant's facilities, and the connection of the applicant's facilities;
- costs of construction for overhead power lines;
- costs of construction for cable power lines;
- costs of construction for substations.

Moreover, all branches have the following ranking of rates:

- By consumer category,
- By voltage level,
- By volume of connected capacity.

Additionally:

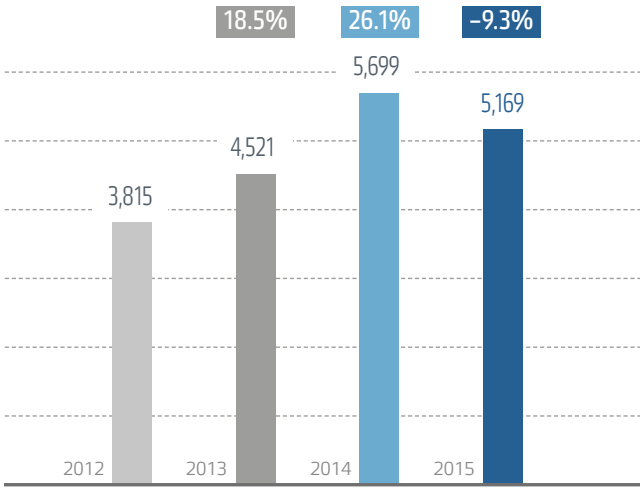
- by cable type – in Bryanskenergo.
- by cable type, by type of the equipment used – in Kostromaenergo, Tverenergo, Yarenergo.

Thus, the total rate of an applicant depends on the volume of the required works to be performed according to the technical conditions of the applicant's facility.

RATE PER UNIT OF MAXIMUM CAPACITY

In 2015, the average rate per unit of capacity decreased by 9% compared to 2014 and amounted to 5,168.7 RUB/kW. Such trends are due to the higher growth of connected capacity volume compared to the growth of the RGR taken for rate calculation.

Average rate, per unit of capacity, for 2013–2015[1], RUB/kW



The trend in the average fee rate per unit of capacity for 2012-2015 is shown by branch in Appendix 3.5 to this Annual Report.

The average standardised tariff rates are shown by branch in Appendix 3.5 to this Annual Report.

STANDARDISED TARIFF RATES

The average standardized tariff rates in 2015 were as follows[2]

Parameter	Rate range by branch	Transformer substations for organisational measures, RUB/kW	Construction of overhead power lines, RUB/kW	Construction of cable power lines, RUB/kW	Construction of substations, RUB/kW
Rate for the coverage of losses of the grid company	Min	87.23	158,523.40	199,100.00	297,61
	Max	585.53	444,149.96	800,377.69	7,727.90

RATES FOR INDIVIDUAL PROJECTS

The rates for consumer grid connection, under individual projects (electricity generation facilities with a maximum capacity of at least 8,900 kW and a voltage level of at least 35 kV), are individually set by the regulator for each applicant.

[1] *Calculation of the average rate per unit of maximum capacity was made based on the approved RGR and maximum capacity volume.*

[2] *Calculation of average standardised tariff rates were made based on the approved amount of RGR in 2015, maximum capacity volume and other parameters.*

FINANCIAL RESULTS ANALYSIS

FINANCIAL RESULTS

Key economic parameters in 2013–2015, RUB mln[1]

Parameter	2013	2014	2015	Deviation 2015/2014	
				RUB mln	%
Revenue	92,947.5	86,705.2	79,817.2	– 6,888.0	– 7.9
Production costs	78,132.4	73,947.6	68,520.1	–5,427.5	–7.3
Gross profit	14,815.1	12,757.6	11,297.1	–1,460.5	–11.4
Management costs	2,140.5	2,107.5	2,193.8	86.3	4.1
Selling costs	1,187.5	652.6	0,0	–652.6	–100.0
Profit (loss) from sales	11,487.1	9,997.5	9,103.3	–894.2	–8.9
Interest receivable	108.2	106.7	267.3	160.6	150.5
Interest payable	2,111.6	2,501.6	4,195.4	1,693.8	67.7
Income from shareholdings	19.1	38.8	17.7	–21.1	–54.4
Other revenues	5,120.0	6,668.8	5,211.8	–1,457.0	–21.8
Other expenses	12,693.4	9,446.3	8,440.4	–1,005.9	–10.6
Profit (loss) before tax	1,929.4	4,863.9	1,964.3	–2,899.6	–59.6
Income tax and other charges	1,636.5	1,538.0	1,055.3	–482.7	–31.4
Net profit (loss)	292.9	3,325.9	909.0	–2,416.9	–72.7
EBITDA[2]	11,599.4	15,740.5	15,219.2	–521.3	–3.3

Financial Report 2015 shows the RAS in Appendix 1 to this Annual Report.

The consolidated financial statements to IFRS for 2015 shows Appendix 2 to this Annual Report.

[1] *The information given is according to Russian Accounting Standards.*

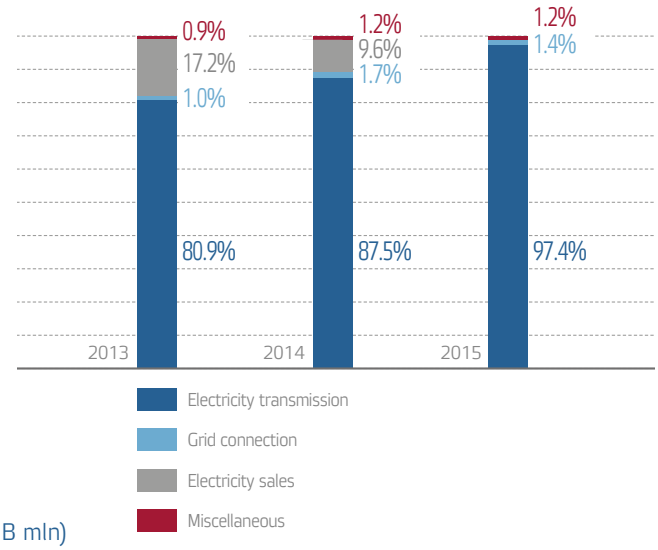
[2] *The formula for EBIDTA calculation: Profit before tax – Interest payable + Depreciation = line 2300 form 2 - line 2330 form 2 + line 6514 form 2.1+ line 6554 form 2.1+ line 6564 form 2.1.*

REVENUE

Five branches of the Company acted as guaranteeing electricity suppliers in 2013-2014, pursuant to resolutions of the Ministry of Energy of the Russian Federation.

Due to the accounting specifics, the revenue from electricity sales (data for 2013-2014) actually include a part of the Company's revenue from electricity transmission services. The table below shows the revenue from electricity transmission and revenue from electricity sales in comparable conditions.

Revenue in 2013–2015



The key revenue parameters in 2013–2015 were as follows (RUB mln)

Parameters	2013	2014	2015	Deviation 2015/2014 RUB mln	Deviation 2015/2014 %
Revenue	92,947.5	86,705.2	79,817.2	–6,888.0	–7.9
In particular:					
Electricity transmission (Russian Accounting Standards)	61,396.2	69,151.5	77,733.6	8,582.1	12.4
Electricity transmission, incl. internal electricity sales	75,181.5	75,904.4	77,733.6	1 829.2	2.4
Grid connection	923.2	1,495.5	1,159.7	–335.8	–22.5
Electricity sales (Russian Accounting Standards)	29,770.0	15,053.0	0,0	–15,053.0	–100.0
Electricity sales, excl. internal electricity transmission	15,984.7	8 300.1	0,0	–8,300.1	–100.0
Other services	858.1	1,005.2	923.9	–81.3	–8.1

According to 2015 results, the Company's revenue decreased by RUB 6,888 mln (-7.9%) compared to 2014 and amounted to RUB 79,817.2 mln. This reduction is due to the fact that IDGC of Centre gave up its functions of the guaranteeing supplier in 2014, which the Company performed since 2013. In late 2013 - early 2014, tenders were held by the Ministry of Energy of the Russian Federation to choose new guaranteeing suppliers in the regions. Starting from February 1, 2014, the functions of the guaranteeing supplier were transferred to the following companies, which won tenders:

- Orelenergo – February 1, 2014;
- Kurskenergo, Tverenergo – April 1, 2014;
- Bryanskenergo, Smolenskenergo – June 1, 2014.

79,817.2 RUB mln
was the Company's revenues in 2015

According to 2014 results, revenue from electricity sales amounted to RUB 8,300.1 mln, and in particular RUB 2,402.7 mln received by Bryanskenergo, RUB 1,085.3 mln – Kurskenergo, RUB 199.6 mln - Orelenergo, RUB 2,443.2 mln – Smolenskenergo and RUB 2,169.2 mln at Tverenergo.

Revenue from electricity transmission increased by RUB 1,829.2 mln (2.4%) in 2015 compared to 2014. This increase happened due to the gain in net supply by RUB 568 mln, average tariff growth by RUB 1,459.4 mln as a result of a change in net supply structure, and load loss reduction by RUB 198.1 mln.

The revenue from grid connection services amounted to RUB 1,159.7 mln in 2015, which is down 22.5% vs. 2014. This decrease was due to the fulfilment of major contracts in 2014: Tverenergo (IIK OJSC – RUB 127.71 mln), Kurskenergo (Vozrozhdenie, LLC – RUB 148.13 mln Voronezhenergo (Rosenergoatom branch – RUB 139.05 mln).

The revenue from other activities includes the revenue from additional services and leasing revenue. Revenue from additional services amounted to RUB 923.9 mln in 2015, which is down RUB 81.3 mln (8.1%) vs. 2014. The Company (in particular the branch of Smolenskenergo) had a contract for complex maintenance of outdoor lighting grids (for technical maintenance and electricity consumption) in 2014. Starting from 2015 the Company has a new contract only for maintenance of the outdoor lighting grids.

8,300.1 RUB mln
proceeds from the sale of electricity at the end of 2014

2.4 %
increase in revenue for electricity transmission versus 2014

PRODUCTION COSTS

The production costs of electricity transmission and the production costs of electricity sales are given separately in accordance with RAS statements, and in comparable conditions, in view of the fact that some of the electricity transmission costs were included in the production costs of electricity sales.

The trends in the production costs and sale costs in 2013–2015, RUB mln

Parameter	2013	2014	2015	Deviation 2015/2014	
				RUB mln	%
Production costs and sales costs[1]	81,460.4	76,707.7	70,713.9	–5,993.8	–7.8
In particular:					
Electricity transmission (Russian Accounting Standards)	65,089.6	67,658.0	69,756.1	2,098.1	3.1
Electricity transmission, incl. internal electricity sales	65,423.2	67,860.1	69,756.1	1,896.0	2.8
Grid connection	285.8	357.1	429.4	72.3	20.2
Electricity sales (Russian Accounting Standards)	15,667.3	8,193.0	0.0	–8,193.0	–100.0
Electricity sales, excl. internal electricity transmission	15,333.7	7,990.9	0.0	–7,990.9	–100.0
Other	417.7	499.6	528.4	28.8	5.8

[1] *Production costs with Management costs and Selling expenses.*

In 2015, the total amount of production costs was RUB 70,713.9 mln. The greater part (98.6% of the total, or RUB 69,756.1 mln) consists of electricity transmission costs. The grid connection costs amounted to RUB 429.4 mln (0.6% of the total), other costs: RUB 528.4 mln (0.8% of the total). The reduction in production costs and sales costs vs. 2014 was RUB 5,993.8 mln, or 7.8%, which is due to the reduction of the cost of purchased energy for sale as the result of the transfer of the guaranteeing supplier function.

1,159.7 RUB mln
revenue from grid connection services in 2015

70,713.9 RUB mln
were the cost of sale of provided by IDGC Centre services in 2015

Structure of production costs and sales costs in 2013–2015, RUB mln[1]

Parameter	2013	2014	2015	Deviation, 2015/2014	
				RUB mln	%
Uncontrolled costs – Total	58,749.3	53,072.7	46,361.3	–6 711.4	–12.6
in particular:					
Loss compensation costs	9,864.7	9,833.7[2]	10,594.9	761.2	7.7
Services of PJSC FGC UES	14,737.3	15,355.9	15,259.8	–96.1	–0.6
Services of territorial grid companies	12,442.6	12,169.8	11,447.1	–722.7	–5.9
Amortisation of fixed and intangible assets	7,558.4	8,375.0	9,059.5	684.5	8.2
Purchased electricity for sale	14,146.3	7,338.3	0.0	–7,338.3	–100.0
Controlled costs – Total	22,711.1	23,635.0	24,352.6	717.6	3.0
in particular:					
Material costs	2,767.4	2,922.3	2,956.3	34.0	1.2
Production–related services	790.2	693.8	784.5	90.7	13.1
Personnel expenses (payroll, mandatory social security charges, non–government pension funds)	14,402.6	15,402.7	16,286.7	884.0	5.7
Other costs	4,750.9	4,616.2	4,325.1	–291.1	–6.3
Total costs	**81,460.4**	**76,707.7**	**70,713.9**	**–5,993.8**	**–7.8**

[1] *Data for 2013-2014 are given in comparable conditions.*

[2] *Electricity purchase for loss compensation in 2014 as a part of the production costs includes internal settlements (RUB 1.1 bln), retail mark-up and infrastructure payments (RUB 0.2 bln).*

Uncontrollable costs

In 2015, the uncontrolled costs amounted to RUB 46,361.3 mln (65.6% of the total costs) which is RUB 6 711.4 mln, or a 12.9% decrease compared to 2014. The key factors that affected the reduction in costs were as follows:

- No purchased electricity for sale in 2015 as compared to RUB 7,338.3 mln in 2014, because in 2015 the functions of the guaranteeing supplier were transferred to new companies based on tender results.
- Loss compensation costs amounted to RUB 10,594.9 mln, an increase by RUB 761.2 mln. (7.7%) compared to 2014, which is due to the growth in average prices on the wholesale electricity market and integration of the power grid assets of Yargorelectroset OJSC.
- The services of PJSC FGC UES amounted to RUB 15,355.9 mln, a decrease by RUB 96.1 mln (0.6%) compared to 2014, which was mainly due to a reduction in the average rate for compensation of normative losses calculated since July 1, 2015 with the changes introduced into some acts of the Government of the Russian Federation pursuant to Decree No. 458 by the Government of the Russian Federation dated May 11, 2015 in order to improve the procedure of electricity volume purchase at the wholesale market for delivery to the households and to equivalent categories of consumers and of electricity volume purchase by the Unified National Power Grid (actual in 2014 – 1,572 RUB/kWh thous, actual in 2015 – 1,448 RUB/kWh thous).
- Reduction of costs for services of territorial grid companies by RUB 722.7 mln (5.9%) due to a reduction in the transfer balance in the grid of adjacent territorial grid companies.
- Depreciation of fixed and intangible assets amounted to RUB 9,059.5 mln, an increase by RUB 684.5 mln (8.2%) compared to 2014 based on commissioning of the fixed assets.

65.6 %
in the cost structure of the Company there are uncontrollable costs in 2015

15,259.8 RUB mln
were the services of PJSC FGC UES

11,447.1 RUB mln
were the services of Territorial Grid Companies

9,059.5 RUB mln
were the depreciation of fixed assets and intangible assets

Controlled costs

In 2015, controlled costs amounted to RUB 24,352 mln (34.4% of the total costs), which is RUB 717.6 mln, or a 3% increase compared to 2014, including:

- Increase of material costs by RUB 34 mln (1.2%) due to growth in prices, in particular for fuel and lubricants and due to costs increase related to the integration of Yargorelectroset OJSC into the Yarenergo branch.
- Increase of production-related services by RUB 90.7 mln (13.1%) due to the increased volume of additional services provided.
- Increase of personnel expenses (payroll, mandatory social security charges, non-government pension funds) by RUB 884 mln (5.7%) due to indexation of the employees' salaries (the minimum monthly pay rate in the Company increased by 9.7%) and changes in the remuneration scheme for managers and specialists since May 1, 2015 (transfer to a new grade system and a salary increase of for key and deficit jobs: senior specialist of the power distribution zone, power section supervisor, dispatcher, etc.).
- Reduction of other costs by RUB 291.1 mln (6.3%) due to reduction of leasing expenses and consulting services and increase of the property tax.

34.4 %
in the cost structure of the Company there are controllable costs in 2015

PROFIT FROM SALES

Profit from sales amounted to RUB 9,103.3 mln in 2015, which is a RUB 894.2 mln (8.9%) reduction compared to 2014. This reduction was mainly due to revenue reduction by RUB 6.888 mln with reduction in production costs by RUB 5,427.7 mln, and due to an increase in management costs by RUB 86.3 mln (4.1%); there were no selling expenses in the reporting year (compared to RUB 652.6 mln in 2014).

9,103.3 RUB mln
was the sales profit in 2015

OTHER REVENUES AND EXPENSES, INCL. INCOME FROM SHAREHOLDINGS, INTEREST RECEIVABLE AND PAYABLE

In 2015, the balance of other revenues and expenses amounted to RUB –7,139 mln.

OTHER REVENUES

In 2015, other revenues decreased by RUB 1,317.5 mln compared to 2014 in the following items:

- Profit of the previous years detected in the reporting period: a decrease of RUB 257 mln as a result of the adjustment postings for electricity transmission in 2014.
- Replenishment of reserves: a decrease of RUB 1,055.6 mln due to replenishment of bad debt provisions in 2014 as a result of the repayment of debts by the debtor, and signing of adjustment postings. In 2015, replenishment of reserves was done through lawsuits based on court judgements.
- Other miscellaneous revenues: a decrease by RUB 732.8 mln, mainly due to a contract for assignment of the claim between IDGC of Centre and Belgorod Energy Sales Company LLC concerning electricity transmission services rendered by OJSC Belgorodenergosbyt, and due to the recognition of the property of Yargorelectroset OJSC equal to the share of IDGC of Centre in the authorised capital of Yargorelectroset OJSC, being the subsidiary.

In 2015, other revenues increased compared to 2014 in the following items:

- Interest receivable: an increase by RUB 160.6 mln due to an increase in the key rate by the Bank of Russia and, accordingly, an increase in deposit rates in 2015. Moreover the establishment of the Unified Treasury resulted in that payment days in the Company are twice a week, which increased the average period of disposable monetary resources to 9.8 days (compared to 4 days in 2014).
- Other revenues related to assets: an increase by RUB 457.9 mln due to posting of equipment and supplies revealed during the inventory and liquidation of fixed assets, and due to higher income from the revaluation of financial assets.

by 1,317.5 RUB mln
other income was down versus 2014

by 257 RUB mln
"Income of previous years, identified in the reporting period" was down

OTHER EXPENSES

In 2015, other expenses increased by RUB 687.9 mln compared to 2014 in the following items:

- Interest payable: an increase by RUB 1,693.8 mln related to an increase of loan rates in 2015 (including the increase in the key rate by the Bank of Russia and the situation on the financial market) and also due to increased loans receivable of the Company (by RUB 4,885 mln compared to 2014).
- Expenses related to the salaries of production employees paid from profit: an increase by RUB 407.4 mln due to the change in the procedure of vacation allowance accounting (in 2014 these expenses were charged as production costs, and in 2015 – as profit).
- Allocations to valuation reserves: an increase by RUB 356.3 mln due to the replenishment of reserves from bad debts and lawsuits.

In 2015, other expenses decreased compared to 2014 in the following items:

- Loss of the previous years detected in the reporting period: a decrease by RUB 1,053.2 mln as a result of the adjustment postings for electricity transmission in 2014.
- Other miscellaneous expenses: a decrease by RUB 961.3 mln mainly due to a contract for assignment of the claim between IDGC of Centre and Belgorod Energy Sales Company LLC concerning electricity transmission services rendered by OJSC Belgorodenergosbyt, and due to posting of expenses related to liquidation of Yargorelectroset OJSC, being a subsidiary.

by 687.9 RUB mln
other expenses grew up

NET PROFIT

In 2015, profit before tax amounted to RUB 1,964.3 mln which is RUB 2,899.6 less compared to 2014. Income tax and other charges amounted to RUB 1,055.3 mln.

Thus, in 2015 there was net profit of RUB 909 mln, a decrease by RUB 2,416.9 mln compared to 2014.

Net profit in 2013–2015, RUB mln

Parameter	2013	2014	2015	Deviation 2015/2014	
				RUB mln	%
Net profit	292.9	3,325.9	909.0	–2,416.9	–72.7
In particular:					
Electricity transmission	–1,009,2	2,799.0	8.3	–2,790.7	–99.7
Grid connection[1]	509.9	910.8	584.2	–326.6	–35.9
Electricity sales	439.9	–788.3	0.0	788.3	–100.0
Other	352.3	404.4	316.5	–87.9	–21.7

Profit distribution in 2013–2015 pursuant to the resolutions of the Annual General Meeting of Shareholders

Parameter	Measurement unit	for 2012	for 2013	for 2014
Net retained earnings	RUB mln	3,450.7	292.9	3,325.9
Including:				
reserve fund	RUB mln	–	–	–
profit for development	RUB mln	2,587.8	216.9	2,494.2
dividends	RUB mln	862.9	75.99	831.7
Share in net profit	%	25.0	25.9	25.0
Repayment of losses of previous years	RUB mln	–	–	–
Amount of dividend per 1 share	RUB	0.02044	0.0018	0.0197

The decision on profit distribution for 2015 will be made at the Annual General Meeting of Shareholders based on the recommendations by the Board of Directors of the Company.

EBITDA

EBITDA amounted to RUB 15,219.2 mln in 2015, which is a decrease by RUB 521.3 mln, or 3.3%, compared to 2014. This decrease happened due to:

- A decrease in revenue by RUB 6,888 mln;
- A decrease in costs (without amortisation) by RUB 6,678.3 mln, mainly for the purchased electricity (RUB -7,338.3 mln);
- An increase of the balance of other revenues and expenses (without the interest payable) by RUB 311.6 mln mainly due to the replenishment of bad debt provisions in 2014.

[1] *Amount of the grid connection liabilities included into financial statements as part of net profit.*

FINANCIAL STABILITY

The parameters showing the Company's financial standing in 2013–2015 were as follows

Parameter	meas.unit	2013	2014	2015	Deviation 2015/2014, p./p.p./%
Liquidity ratios					
Quick liquidity ratio	–	1.04	0.87	1.38	0.51 p.
Current liquidity ratio	–	1.19	0.96	1.54	0.58 p.
Working capital financed by equity to total assets ratio	–	0.16	–0.04	0,35	0.39 p.
Ratios of financial stability					
Net asset value	RUB mln	52,975.9	56,231.6	56,313.0	0.1%
Ratio of overdue accounts payable	%	9	20.8	31.5	10.7 p.p.
Equity to total assets ratio	–	0.50	0.50	0.48	–0.02 p.
Total debt to EBITDA	–	2.8	2.4	2.8	0.4 p.
Profitability ratios					
Gross profit margin	%	15.9	14.7	14.2	–0.5 p.p.
Net profit margin	%	0.3	3.8	1.1	–2.7 p.p.
Operating profit margin	%	2.1	5.6	2.5	–3.1 p.p.
Return on Equity (ROE)	%	0.5	6.1	1.6	–4.5 p.p.
EBITDA margin	%	12.5	18.2	19.1	0.9 p.p.
Return on total assets (ROTA) for profit before tax	%	1.9	4.5	1.7	–2.8 p.p.
Business activity ratios					
Turnover of assets	times	0.9	0.8	0.7	–12.5%
Turnover of accounts receivable	times	7.0	5.8	4.6	–20.7%
Turnover of accounts payable	times	8.6	8.7	8.2	–5.7%
Ratio of accounts receivable and payable growth rates	–	1.0	1.5	1.0	–0.5
Ratio of total accounts receivable and payable	–	1.2	1.8	1.7	–0.1
Ratio of the most liquid accounts receivable and payable	–	1.8	2.8	2.8	–
Share of accounts receivable in revenue	%	14	19	22	3 p.p.

LIQUIDITY RATIOS

In 2015, the change in liquidity ratios was due to changes in the structure of liabilities – refinancing of liabilities. In particular:

- The quick liquidity ratio represents the ability of the company to repay its current liabilities in the shortest possible time. The standard ratio is over 0.8. As of the end of 2015, this ratio was 1.38, an increase compared to the previous year which is within the normal limits.
- The current liquidity ratio as of December 31, 2015 increased up to 1.54 (in 2014, the value of this ratio was 0.96).
- Due to refinancing of liabilities the ratio of sufficiency of own working capital increased significantly to 0.35.

RATIOS OF FINANCIAL STABILITY

The ratio of overdue accounts payable increased by RUB 1,288.6 mln in 2015, and amounted to 31.5%, mainly due to an increase in accounts receivable by RUB 1,035.4 mln, and as a result of the inability to fulfill obligations on time.

As of December 31, 2015, the autonomy (financial independence) ratio was 0.50. This ratio characterises the share of own funds in the Company's total assets. The standard ratio is over 0.5. As of the end of 2015, this ratio did not change significantly.

PROFITABILITY RATIOS

Profitability ratios characterise the efficiency of the Company's operations. The profitability of sales by gross profit in 2015 amounted to 14.2%, with a 0.5 p.p. decrease compared to the previous year. The other profitability ratios decreased as well, in particular:

- The net profit margin amounted to 1.1%, a 2.7 p.p. decrease compared to 2014.
- The operating profit margin was 2.5%, a 3.1 p.p. decrease compared to 2014.
- The return on equity ratio (ROE) amounted to 1.6%, a 4.5 p.p. decrease compared to the previous year.
- The return on total assets (ROTA) for profit before tax was 1.7%, a 2.8 p.p. decrease compared to 2014.

The reason for the negative trends in the profitability ratios was the decrease of the Company's net profit in 2015.

However, EBITDA margin showed positive results in 2015 compared to the previous year.

BUSINESS ACTIVITY RATIOS

Turnover ratios are used for analysis of the efficiency of management of the Company's liabilities. In particular:

- The turnover of assets is a financial factor of how efficiently the company uses the total of its assets. Through 2015, the turnover of assets decreased by 12.5% because revenue went down by RUB 6,888 mln. The revenue reduction was due to the fact that the functions of the guaranteeing suppliers were transferred to companies that won tenders of the Ministry of Energy of Russia.
- The turnover of accounts receivable shows the speed of repayment of accounts receivable, i.e. how quickly the Company receives payment for the services provided. The turnover of the accounts receivable based on the financial and business operation results in 2015 decreased by 20.7%, which was due to growth of the accounts receivable, which in turn was caused by poor payment discipline of consumers and sales companies.
- The turnover of accounts payable shows the speed of repayment of debt to suppliers and contractors. This ratio shows how many times the company repaid its average accounts payable. The ratio increased by 5.7% in 2015 due to an increase by RUB 931.7 mln in accounts payable.

The ratio of accounts receivable and payable decreased in 2015 due to the higher growth rate of accounts payable compared to the accounts receivable growth rate:

- The ratio of the growth rates was down 0.5.
- The ratio of total accounts receivable and payable was down 0.1.
- The ratio of the most liquid accounts receivable and payable was unchanged – 2.8.

ACCOUNTS RECEIVABLE AND PAYABLE

Change in accounts receivable in 2013–2015, RUB mln

Parameter	2013	2014	2015	Deviation, 2015/2014	
				RUB mln	%
Accounts receivable	13,024.8	16,713.6	17,749.0	1,035.4	6.2
incl:					
Buyers and customers	11,073.0	13,902.0	15,395.6	1,493.6	10.7
Advances paid	171.6	432.2	119.9	–312.3	–72.3
Other debtors	1,780.2	2,379.4	2,233.4	–146.0	–6.1

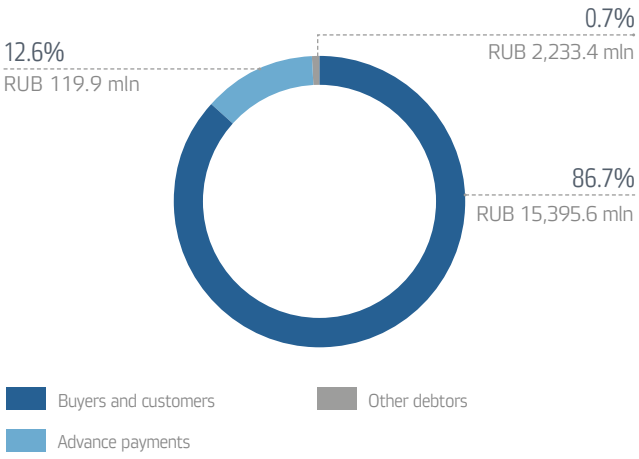
The increase in accounts receivable by RUB 1,035.4 mln in 2015 was due to poor payment discipline of consumers and sales companies and a change in contract terms (transfer to payment for the actual consumption and refusal of advance payments), in particular:

2,795 RUB mln
growth of receivables for electricity transmission;

41 RUB mln
decrease of receivables for grid connection services;

1,305 RUB mln
decrease in receivables for the sold electric energy. The change is due to the transfer of functions of the supplier of last resort to winners of the tender of the Russian Ministry of Energy in 2014.

Structure of accounts receivable in 2015



A monthly accounts receivable statement is prepared and analysed in order to control the performance of contractual obligations. In case of a payment delay by over 30 days, the Company takes punitive measures as stated in the corresponding regulatory documents.

As a result of claims by IDGC of Centre to collect overdue payment for electricity transmission services in 2015, there were 393 positive court decisions for a total amount of RUB 2,075.4 mln and 12 refusals for an amount of RUB 159.2 mln. The proportion of the positive court decisions was 92.8%, or 36.5 p.p. higher compared to 2014.

There were 177 positive court decisions for a total amount of RUB 1,545.2 mln in 2014, and 26 refusals for a total amount of RUB 1,196.4 mln.

Pursuant to court decisions in 2015, the Company received enforcement orders for an amount of RUB 1,516.5 mln, of which RUB 1,091.3 mln, or 72%, were paid. For the same period last year, the Company had writs of execution for an amount of RUB 305.2 mln, of which RUB 111.32 mln, or 36.4%, were paid.

Thus in 2015 the Company took measures to receive 98.9% of overdue payments, showing that claim work was done at a steadily high level.

In 2015, the total amount of the written-off receivables amounted to RUB 316.4 mln: RUB 244.8 mln – to the financial result of 2015, and RUB 71.6 mln – to bad debt reserve.

Change in accounts payable in 2013–2015, RUB mln

Parameter	2013	2014	2015	Deviation, 2015/2014	
				RUB mln	%
Accounts payable	10,697.3	9,239.7	10,171.4	931.7	10.1
including:					
Suppliers and contractors	6,212.6	5,315.6	4,908.3	–407.3	–7.7
Notes payable	0.0	0.0	0.0	–	–
Salaries payable	10.8	48.4	4.3	–44.1	–91.1
Taxes and charges	786.5	623.8	1,063.1	439.3	70.4
Advances received	2,047.9	1,743.1	2,040.7	297.6	17.1
Accrued dividends	18.8	13.1	16.9	3.8	29.0
Other creditors	1,620.7	1,495.6	2,138.2	642.6	43.0

As per results of the reporting year, 48.3% of the total accounts payable is to suppliers and contractors, 20.1% to advances received, and 21.0% to other creditors. Accrued dividends are quite insignificant – 0.2% of the total amount of accounts payable.

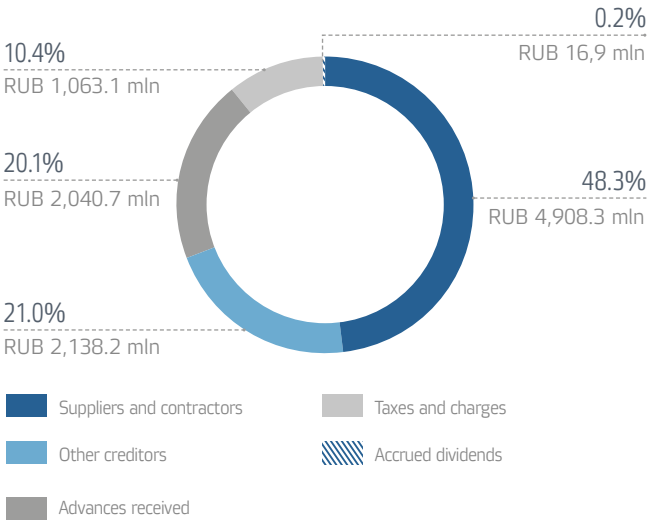
Accounts payable increased by RUB 931.7 mln in 2015 compared to 2014, mainly due to changes in the following items:

+439.3 RUB mln
taxes and levies (+70.4%)
mainly it includes debt on VAT (RUB 332 mln)
and is ongoing;

–407.3 RUB mln
suppliers and contractors (–7.7%) –
the deviation due to the repayment of debt
to counterparties in accordance
with contractual obligations;

+297.6 RUB mln
advances received (+17.1%) – the growth due
to the conclusion of new grid connection contracts.

Structure of accounts payable in 2015



CAPITAL AND CREDIT POLICY

CAPITAL

The structure of capital of IDGC of Centre in 2013–2015

Parameter	Measurement unit	2013	2014	2015	Deviation 2015/2014	
					RUB mln	%
Equity	RUB mln	52,975.9	56,231.6	56,313.0	81.4	0.1
Borrowed funds	RUB mln	52,012.2	55,160.4	61,556.2	6,395.8	11.6
In particular:						
Loans	RUB mln	33,051.1	37,201.0	42,131.5	4,930.5	13.3
Accounts payable	RUB mln	10,697.3	9,239.7	10,171.4	931.7	10.1
Ratio of equity and borrowed funds	–	1.02	1.02	0.91	–0.11	–10.8
Share of borrowed funds in liabilities	%	49.5	49.5	52.2	2.7	5.5
Cash at the end of the period	RUB mln	1,030.4	367.3	105.6	–261.7	–71.2
Net debt	RUB mln	32,020.7	36,833.6	42,025.9	5,192.3	14.1

At the end of 2015, the Company's equity amounted to RUB 56,313 mln, or 47.8% of total capital. This increase in equity by RUB 81.4 mln (0.1%) compared to the previous year was due to a positive financial result of the reporting year. In particular, profit from electricity transmission increased by RUB 8,582.1 mln.

In 2015, the share of long-term liabilities in the Company's total capital increased to 41%, while in 2014 it amounted to 32%. The change in capital structure was mainly due to the refinancing of some loans that were due before the end of 2015. The share of short-term liabilities in total liabilities based on results of financial and business operations in 2015 amounted to 11%.

Net debt increased by 14.1% due to the increase of borrowed funds for the Company's operating and investment activity by RUB 4,930.5 mln.

Changing the structure of the capital was primarily due to the refinancing liabilities maturity falling due in 2015.

56.3 RUB mln
own equity
(47.8% of the total equity)

CREDIT PORTFOLIO

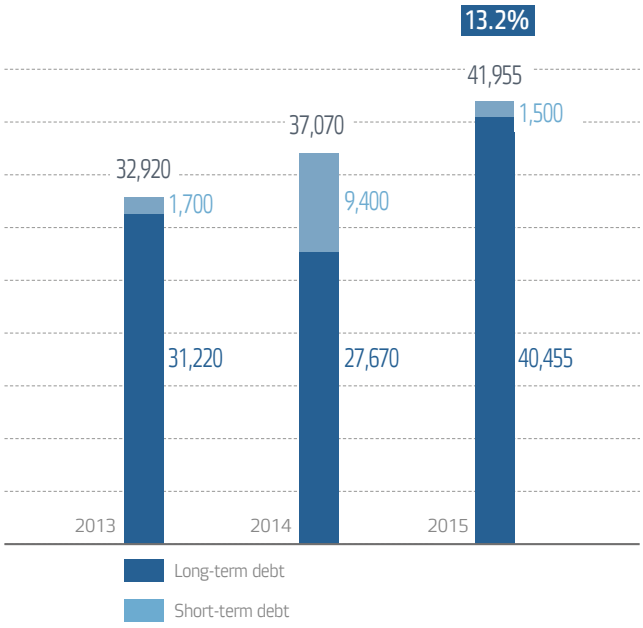
The emphasis of the credit policy of IDGC of Centre is placed on long-term borrowings. The maximum maturity of the loans taken in 2015 was 37 months (the same as in 2014), and of the bonded loans – 84 months.

The increase in loan debt in 2015 amounted to 13.2%, or RUB 4,885 mln as compared to 2014.

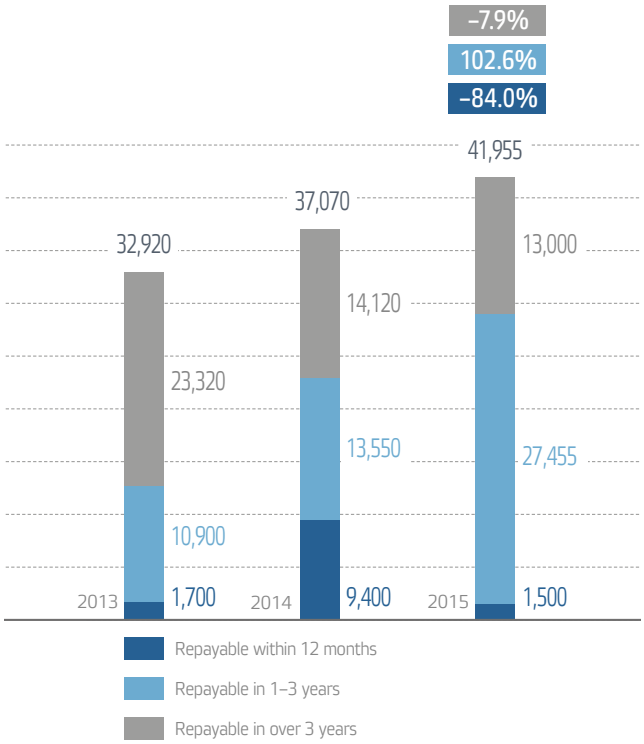
The change in the structure of the credit portfolio was as follows: the share of long-term debt increased to 96.4%, compared to 74.6% in 2014.

As for the structure of the credit portfolio per maturity, 65.4% are repayable in 1 to 3 years, 31% - repayable in over 3 years.

Trend in the loan debt in 2013–2015, RUB mln



Structure of the debt portfolio by maturities in 2013–2015, RUB mln



Change in the credit portfolio in 2015, RUB mln

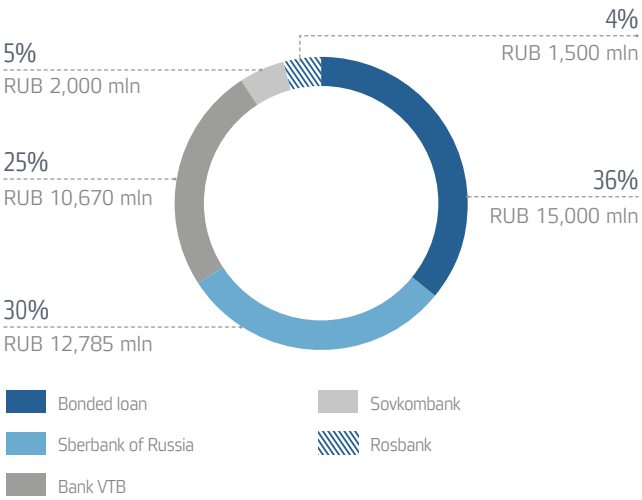
Parameter	Credit portfolio as of Jan 1, 2015	Loans taken in 2015	Loans repaid in 2015	Credit portfolio as of Dec 31, 2015
Loans	37,070.0	26,061.5	21,176.5	41,955.0
Interest on loans	131.0	4,470.2	4,424.7	176.5

The main creditors of IDGC of Centre are major Russian banks with a high degree of reliability. The Company takes most of its loans from Sberbank of Russia (30% of the total loans) and VTB Bank (25% of the total loans).

The credit portfolio was diversified in 2015 with BO-02, BO-03 and BO-04 stock exchange bonds placed at Moscow Exchange for a total amount of RUB 15.0 bn. The share of bonded loans in the credit portfolio in 2015 was 36%.

You can find information on stock exchange-traded bonds in the section "Corporate Governance. Securities" to this Annual Report and on the Company's website.

Loan portfolio diversification in 2015

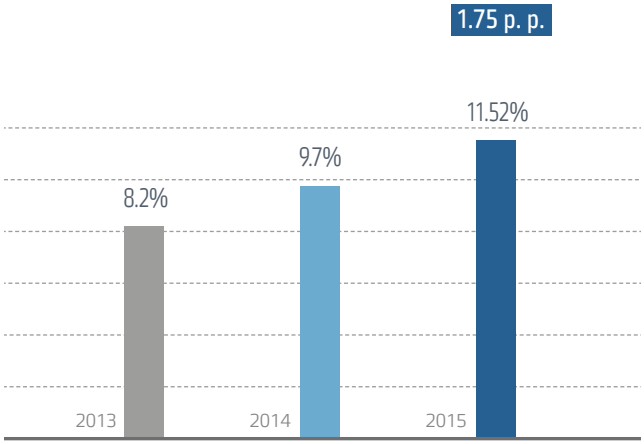


WEIGHTED AVERAGE RATE

The weighted average rate on borrowings in 2015 increased to 11.52%, compared to 9.77% in 2014 due to national and macroeconomic factors. The increase of the average rate by 1.75 p.p. was due to the significant increase of the key rate of the Bank of Russia in December 2014 and the corresponding increase of the credit rates of banks in 2015.

The loans and borrowings of the Company are unsecured.

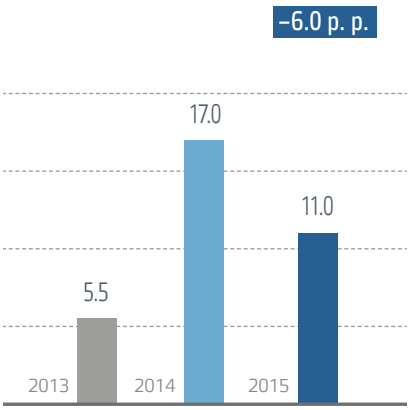
Weighted mean borrowing rate in 2013–2015



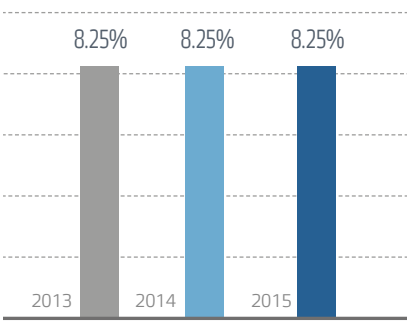
considering bond issue

The loans and borrowings of the Company are unsecured

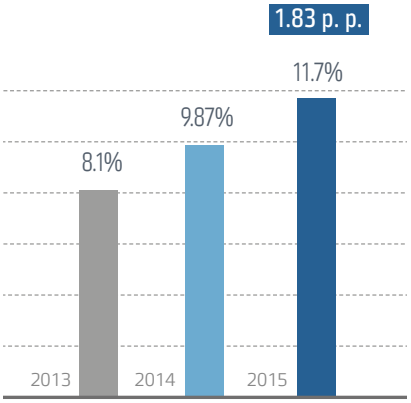
Key rate of the Central Bank of Russia



Refinance rate of the Central Bank of Russia



Weighted average rate for all bank credits

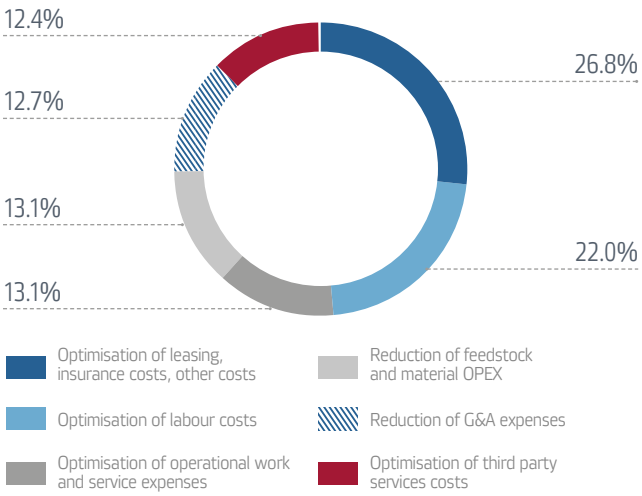


EFFICIENCY MANAGEMENT PROGRAMME

The reduction of controlled operating costs in 2015 as compared to 2012 amounted to RUB 3,444 mln, or 20.8%, which is within the terms of the Strategy for the Russian Power Grid Complex development.

In 2015, the reduction of the operating costs was RUB 1,719 mln, or 8.5%, as compared to 2014, which is in line with Decree No. 2303-P13 of the Government of the Russian Federation "On the annual reduction of operating expenses per unit by at least 2-3%" dated April 16, 2015.

Effect from Efficiency Management programme implementation in 2015



In order to increase the Company's operating efficiency, the following actions were taken:

No	Measures	Actions	Economic efficiency, RUB mln
1	Reduction of material costs	Reducing the cost of materials by optimising the cost limits and by using recyclable materials	449.9
2	Optimisation of production-related expenses	— optimising the costs of payment to contractors, in particular by reducing prices and reviewing the contract terms; — increasing the share of jobs performed by the internal staff	451.8
3	Reduction of management costs	Optimising travel and representation expenses, payroll and communication expenses	436.7
4	Optimisation of personnel expenses	Optimising the quantity of personnel, improving the payment system encouraging achievements for the benefit of the Company	756.2
5	Optimisation of expenses for third party services	Reducing the list and the cost of third party services, performing the required works by own resources	428.1
6	Optimisation of financial lease, insurance, and other costs	Reducing the list and cost of third party services	921.3
	Total		3,443.9

INVESTMENTS

INVESTMENT INDICATORS

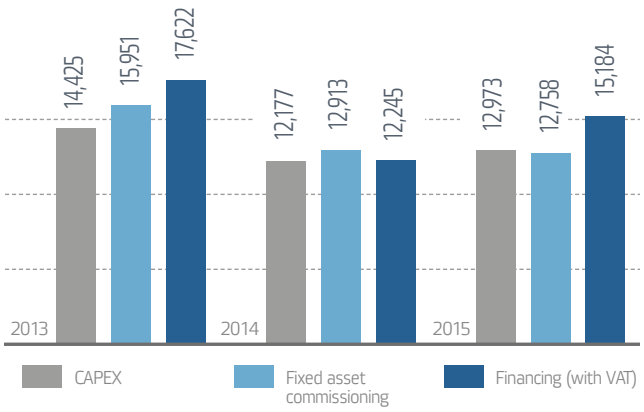
The amount of the capital investment by IDGC of Centre in 2015 totaled RUB 12,973 mln. All the measures taken under the investment programme were in line with the planned indicators and requirements approved by the authorities of the regions where the Company operates.

In 2015, the Company commissioned 4,785 km of power lines and 1,228 MVA of transformer capacity. There was a significant increase in capacity due to accepting and purchasing the assets of other companies – 6.7 k km and 1.7 k MVA, including the assets of its subsidiary - Yargorelectroset OJSC (3,976 km and 1,174 MVA).

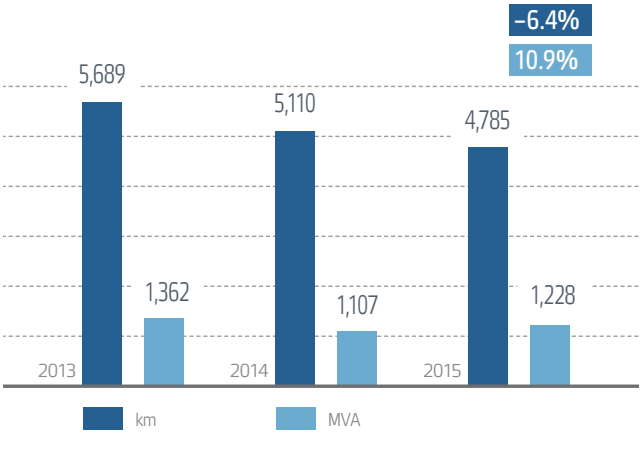
Actual investment by IDGC of Centre in 2013–2015

	Capital investment (VAT excl)	Commissioning of fixed assets (VAT excl)	Financing (incl. VAT)	Commissioning of capacity		Capacity increase	
Period	RUB mln			km	MVA	km	MVA
2013	14,425	15,951	17,622	5,689	1,362	3,112	891
2014	12,177	12,913	14,245	5,110	1,107	2,560	602
2015	12,973	12,758	15,184	4,785	1,228	6,728	1,739

Investments in 2013–2015, RUB mln

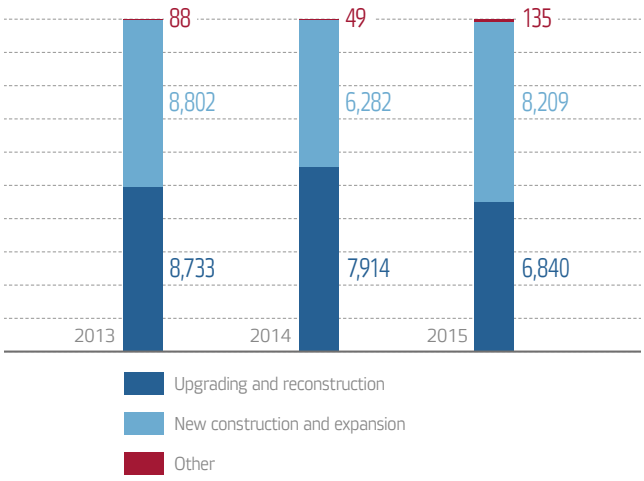


Capacity commissioning in 2013–2015



AREAS AND STRUCTURE OF CAPITAL INVESTMENT FINANCING

CAPEX financing structure in 2013–2015, RUB mln

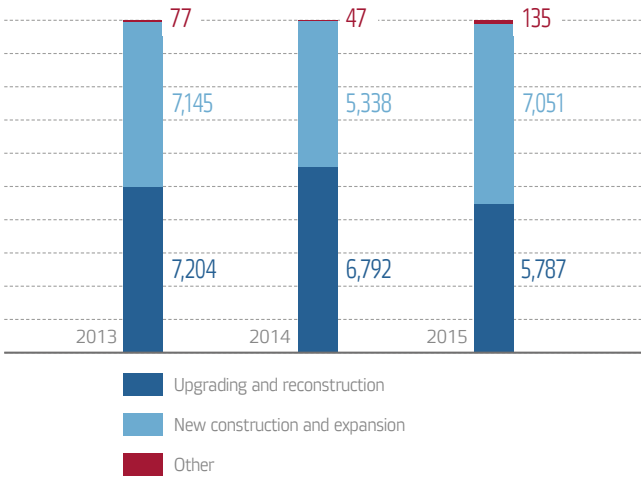


The amount of capital investment financing in 2015 totalled RUB 15,184 mln (VAT included) and was used for the following measures:

- 45% for retrofitting and upgrading: RUB 6,840 mln;
- 54% for new construction and expansion: RUB 8,209 mln;
- 1% to acquire electrical grid assets, and to implement other programmes and measures (other): RUB 135 mln.

15,184 RUB mln
were CAPEX funding of IDGC of Centre in 2015

CAPEX structure in 2013–2015, RUB mln



In 2015, capital investments amounted to RUB 12,973 mln and were used for the following measures:

- 45% for retrofitting and upgrading: RUB 5,787 mln;
- 54% for a new construction and an expansion: RUB 7,051 mln;
- 1% to acquire electrical grid assets, and to implement other programmes and measures (other): RUB 135 mln.

12,973 RUB mln
were the amount CAPEX of IDGC of Centre in 2015

There were significant changes in the structure of capital investment in 2015.

Investments into new construction and extension took the largest share in the investment programme in 2015, and there was an increase up to 54% of total investment (compared to 44% in 2014) due to the necessity of new grid connections and grid infrastructure development in limited financial conditions.

Investments into retrofitting and upgrading decreased to 45% (compared to 56% in 2014) due to optimisation of the retrofitting and upgrading programme and measures to control construction and retrofitting expenses.

Investment in financing in 2015 amounted to RUB 15,184 mln, an increase by 6.6% compared to 2014. This increase was due to increase in grid connection financing.

Spheres of financing in 2013–2015, RUB mln

Areas of funding	2015	2014	2013
Total	15,184	14,245	17,622
Priority projects	125	295	756
retrofitting and upgrading	56	126	279
new construction	68	169	477
Top priority programmes	–	–	–
retrofitting and upgrading	–	–	–
new construction	–	–	–
Programmes	2,092	2,391	2,878
retrofitting and upgrading	*1,805*	*2,384*	*2,848*
new construction	*287*	*6*	*30*
Grid connection, including	9,436	6,693	9,310
Grid connection sites with capacity of over 750 kW (HV, MV1)	1,650	610	1,037
Grid connection sites with capacity of 100 – 750 kW (MV2)	1,070	1,567	3,214
Grid connection sites with capacity of 15 – 100 kW	1,741	1,976	1,978
Grid connection sites with capacity of up to 15 kW	4,976	2,541	3,080
Generation	–	–	–
Distribution grids	2,162	2,687	2,126
retrofitting and upgrading	1,412	2,575	2,066
new construction	749	113	60
Automation of technological control (excl. automatic system for commercial measurement of electricity consumption)	336	561	1,040
Electricity measurement instruments	72	306	350
Safety programmes	47	112	91
Acquisition of grids, land plots and other facilities	110	8	12
Other programmes and measures	804	1,191	1,060
For reference:			
retrofitting and upgrading	6,840	7,914	8,733
new construction	8,209	6,282	8,802
Other	135	49	88

Information on performance at priority facilities in 2015 is shown in Appendix 3.6 to this Annual Report.

In 2015, IDGC of Centre did not implement projects financed by the Federal budget.

INVESTMENT PROGRAMME RESULTS

The measures taken by IDGC of Centre in 2015 under the investment programme had the following results:

Reduction of investment costs

15 %
was the increase of the investment efficiency in 2015 versus 2012

2,703 RUB mln
were the effect of reducing investment costs

As a result of using methods of planning the reduction of investment costs by 30% compared to 2012 (pursuant to the Strategy for the Russian Power Grid Complex development approved by Decree No 511-r of the Government of the Russian Federation dated April 3, 2013), IDGC of Centre reduced investment costs by RUB 2,703 mln (excluding VAT). The Strategy for the Russian Power Grid Complex development stipulates the increase of investment efficiency by 30% by 2017. The target increase of 15% by 2015 was achieved.

Contracts for grid connection

Contracts executed and grid connection certificates signed

Number of contracts	plan – 2015	actual – 2015	Deviation – actual/plan	
			abs.	%
Number of contracts executed and grid connection certificates signed	48,069	63,302	15,233	24
Applicants for maximum capacity of up to 15 kW included (with previously connected power installations)	46,078	60,983	14,905	24
Capacity volume (executed contracts, grid connection certificates signed), MW	1,054	1,137	82	7
Applicants for maximum capacity of up to 15 kW included (with previously connected power installations), MW	472	644	172	27

Commissioning of capacity required for the above measures

To perform the activities of power input was provided on grid connection.

Parameter	plan – 2015	actual – 2015	Deviation – actual/plan	
			abs.	%
Total for grid connection, km	2,972	3,575	603	17
Applicants for maximum capacity of up to 15 kW included, km	2,040	2,685	645	24
Total for grid connection, MVA	765	851	85	10
Applicants for maximum capacity of up to 15 kW included, MVA	170	209	39	19

Reduction of electricity losses

164.6 mln kWh
were the effect of the Programme for energy saving and energy efficiency

In 2015, pursuant to the energy saving and efficiency improving programme, the Company reduced electricity losses by 164.6 mln kWh (vs. plan – 118.44 mln kWh). The loss reduction under the investment programme was as follows:

- Technical loss reduction: plan – 4.45 mln kWh, actual – 7.12 mln kWh, or 160% of the plan.
- Modernisation of the electricity metering system and the billing system: plan – 45.34 mln kWh, actual – 49.85 mln kWh, or 110% of the plan.

Capacity utilisation and increase of main substations

36 %
actual capacity utilisation at the end of 2015

The actual capacity utilisation in 2015 was 36% vs. 31% of the plan.

Depreciation of fixed assets

73.2 %
is the level of wear and tear of power grid facilities of IDGC of Centre

As of December 31, 2015 the depreciation of the Company's facilities was 73.2%.

Breakdown reduction

by 21.8 %
the specific failure rate decreased

The number of breakdowns reduced by 19.5% in 2015 compared to 2014. The breakdown rate per unit decreased by 21.8% and was 9.7 breakdowns per 1000 equipment units.
For more details see page 31 of this Annual Report.

LONG-TERM INVESTMENT PROGRAMME

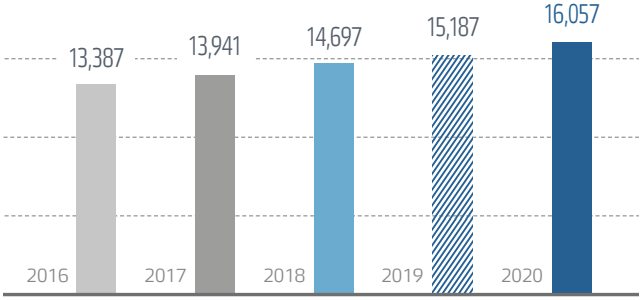
The Company's long-term investment programme has been designed taking into account the Company's current production goals, objectives and development plans, and the regions in which it operates. The programme is also based on investment programmes of the Company's branches approved by the regional executive bodies of the Russian Federation territorial entities.

The planned capital investment under the 2016-2020 investment programmes provides for an increase in investments with no significant changes in dynamic pattern.

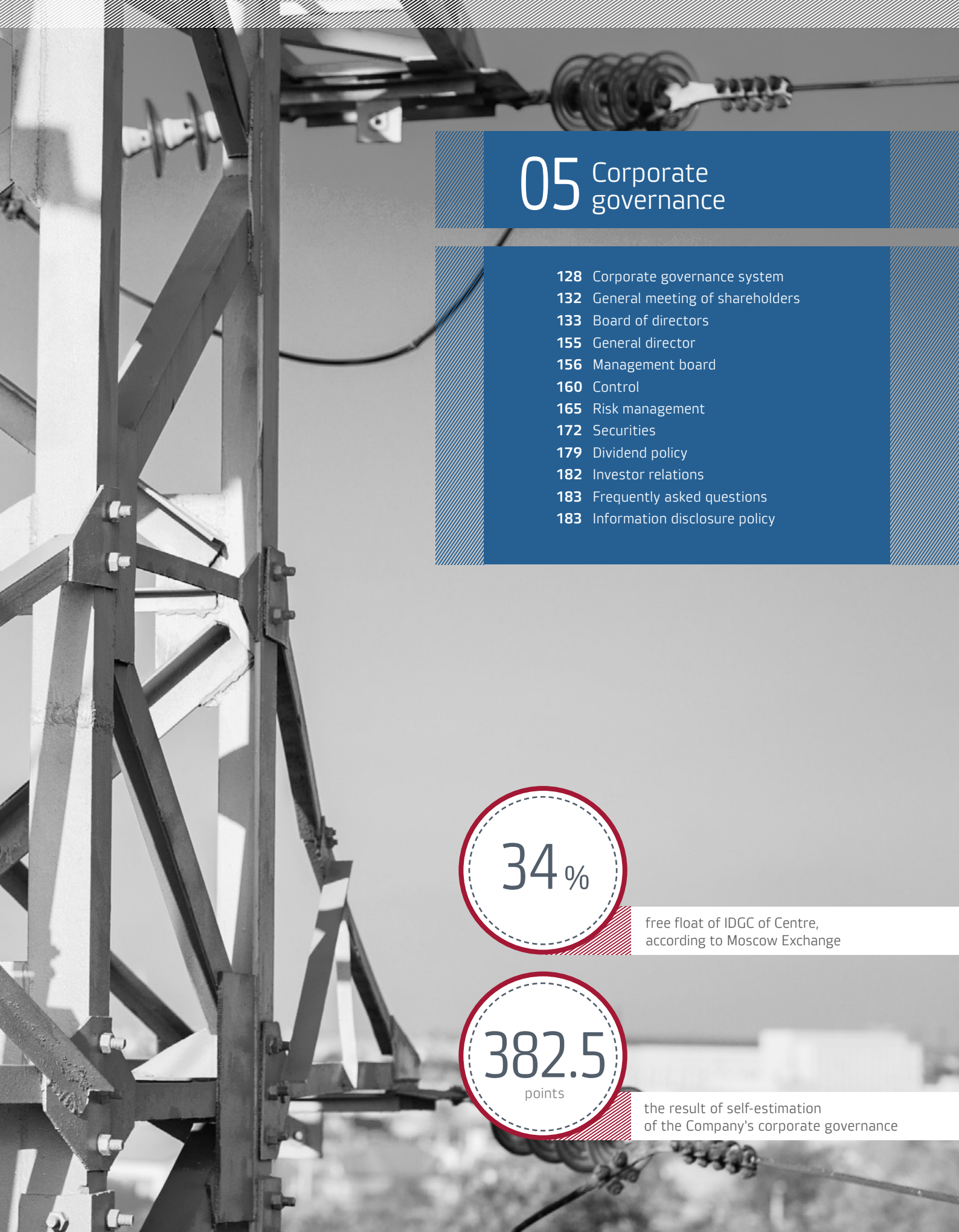
The parameters of the long-term investment programme for 2016-2020 (amounts of financing, commissioning of fixed assets, commissioning of capacity) are shown in Appendix 3.6 to this Annual Report.

The development of the long-term programme of the Company involved scenarios of power industry development up to 2030[1], the requirements of the industry's technological policy, and social and economic growth forecasts for the regions.

Planned CAPEX in 2016-2020, RUB mln w/o VAT



[1] *Approved by Decree No. 511-r of the Government of the Russian Federation dated April 3, 2013.*



05 Corporate governance

34 %

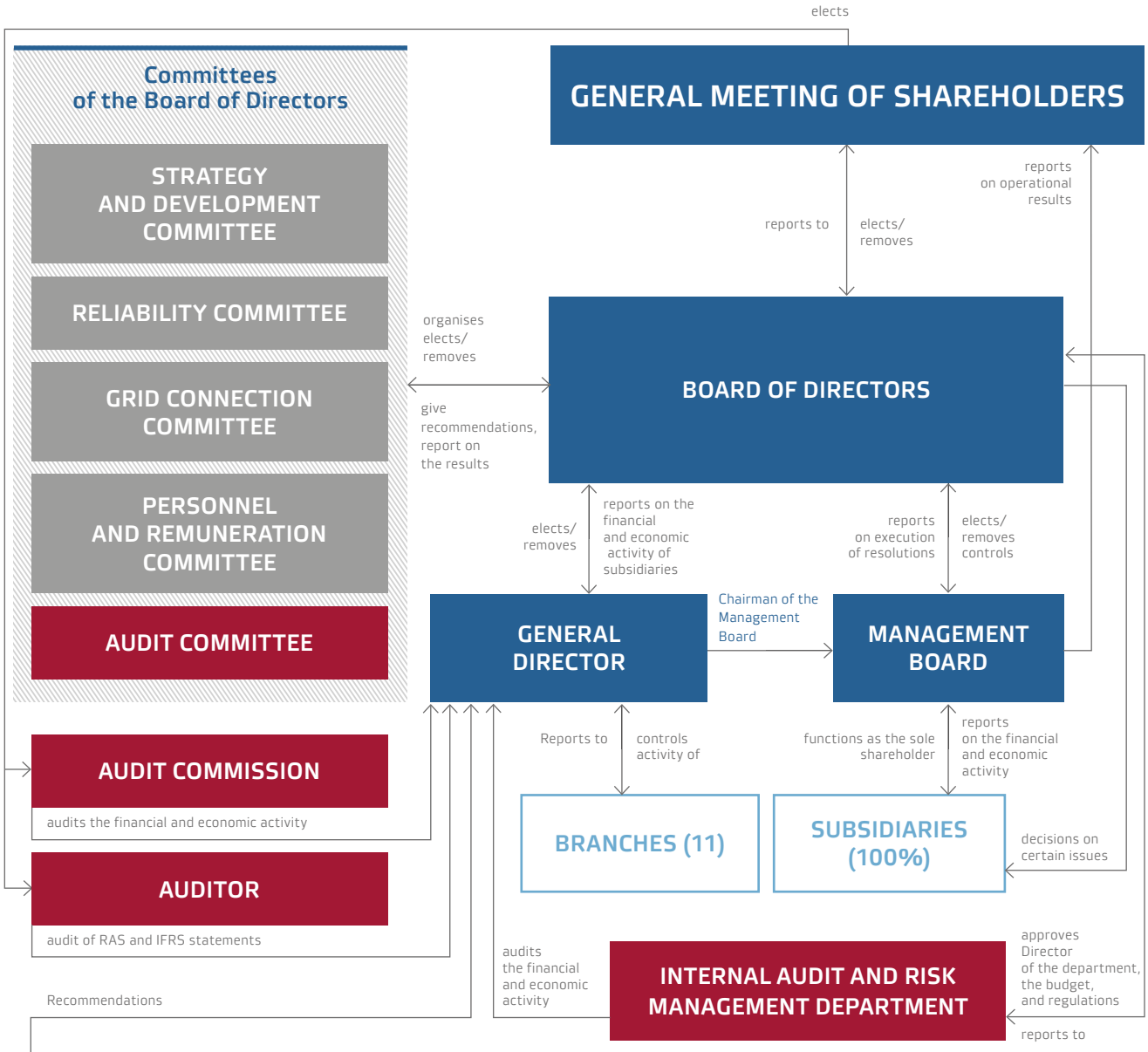
free float of IDGC of Centre,
according to Moscow Exchange

382.5
points

the result of self-estimation
of the Company's corporate governance

CORPORATE GOVERNANCE SYSTEM

STRUCTURE OF MANAGEMENT AND REGULATORY BODIES



COMMISSIONS/COUNCILS FOR GENERAL DIRECTOR:

- Advisory council
- Central Procurement Commission
- Investment Commission
- Committee for Observance of Corporate Culture Norms and Settlement of Conflicts of Interests
- Debt Recovery Commission
- Labour Protection Commission
- Fire Safety Commission
- Attestation Commission for Industrial and Energy Safety
- Committee for Control over Utility Facilities
- Commission for Social Issues
- Housing Committee.

CORPORATE GOVERNANCE PRINCIPLES

THE BASIS OF THE CORPORATE GOVERNANCE SYSTEM OF IDGC OF CENTRE IS ADHERENCE TO THE FOLLOWING CORPORATE GOVERNANCE PRINCIPLES STIPULATED IN THE CORPORATE GOVERNANCE CODE OF THE COMPANY:

ACCOUNTABILITY

The Code requires accountability of the Board of Directors to all shareholders pursuant to the laws of the Russian Federation, and serves as a guide to the Board of Directors in determining their strategy and in management and control over the executive bodies of the Company.

FAIRNESS

The Company undertakes to protect shareholders' rights and ensure equal treatment for all shareholders. The Board of Directors provides all shareholders with effective protection in case their rights are violated.

TRANSPARENCY

The Company ensures the timely disclosure of true information about all important facts related to its activity, including its financial position, operational results, ownership structure and Company management, as well as free access to such information for all interested parties.

RESPONSIBILITY

The Company recognises its responsibility to shareholders.

ASSURANCE OF SHAREHOLDERS' RIGHTS

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

The Company informs its shareholders and investors on all new actions taking place in the Company, enabling them to take decisions on their shares.

The right to receive income is exercised by establishing a positive dividend history for the previous five years.

In order to secure registration and control over the rights to shares, the share register is maintained by an independent registrar – Reestr-RN Ltd. – which has an undisputed high reputation, the necessary technologies, and qualified professionals.

REPORT BY THE BOARD OF DIRECTORS ON COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE (CGC)

Herewith the Board of IDGC of Centre certifies that the information in the Report on compliance with Corporate Governance Code principles is true and complete (hereinafter - CGC).

The assessment of the compliance by the Company to the CGC principles was made according to the recommendations by the Bank of Russia.

One of the main reasons of non-compliance or incomplete compliance with the CGC principles is the necessity to prepare and approve (reapprove) a significant number of internal documents of the Company. One more limiting factor is lack of practice to apply certain CGC principles and recommendations.

The Company does not use any corporate governance mechanisms and tools instead of (in place of) those recommended by the Corporate Governance Code.

IDGC of Centre has the following plans for the next 5 years to improve its corporate governance:

- to assess the activities of the Board of Directors;
- to increase the number of independent members on the Board of Directors;
- to divide internal audit from internal control, securing their functions and responsibilities to different departments;
- to approve the documents for internal audit, internal control, and risk management to keep them in line with CGC requirements;
- to introduce electronic means of voting at the General Meeting of Shareholders, and others.

The report on compliance by the Company with the Corporate Governance Code principles and recommendations is in Appendix 3 to this Annual Report.

CORPORATE GOVERNANCE RATING

Corporate governance at IDGC of Centre has been assessed by an independent consultant since 2007. In 2015, the Russian Institute of Directors (the RID) confirmed the high corporate governance level – NCGR 7+, that is, Developed Corporate Governance. The Company has retained its strengths, and there have been improvements in certain spheres, such as the number of independent Directors, and internal documents.

According to the Russian Institute of Directors, the Company has low corporate governance risks. The Company complies with Russian corporate governance regulations, and follows most of the recommendations by the Russian Corporate Governance Code and certain recommendations by international corporate governance practices.

For the corporate governance rating, please use this link.

After the reporting date

The RID has increased the corporate governance rating of the Company to NCGR 7++. At the time of publication of this report, IDGC of Centre is the only company in Russian with such a rating.

[1] *Corporate Governance Code recommended by Bank of Russia, Letter 10.04.2014 No. 06-52/2463.*

SELF-ASSESSMENT OF CORPORATE GOVERNANCE

382.5 points
the result of self-estimation
of the Company's corporate governance in 2015

In 2015, IDGC of Centre held self-assessment of its corporate governance using the Methodology by Rosimushchestvo.
The methodology uses the score system, and the results are given as a percentage. The score of IDGC of Centre was 382.5 out of 548, or 70%.

This methodology contains 120 questions and helps to make assessments in the following six spheres:

- Shareholders' rights
- The Board of Directors
- Executive management
- Transparency and disclosure of information
- Risk management, internal control and internal audit
- Corporate social responsibility, business ethics, compliance.

Evaluation level of corporate governance by the areas

Shareholders' rights	75%
The Board of Directors	57%
Executive management	71%
Transparency and disclosure of information	79%
Risk management, internal control and internal audit	78%
Corporate social responsibility	87%

THE COMPANY'S TRANSACTION APPROVAL POLICY

Major transactions and interested party transactions of IDGC of Centre are subject to approval by the Company's management bodies pursuant to the Federal Law on Joint-stock companies and the Articles of Association of the Company. However, an amendment was made in the Articles of Association to include the preliminary approval of transactions involving the Company's assets in the competence of the Board of Directors in order to reduce the risk of improper disposal of the Company's assets. In 2015, the list of such transactions was extended and the corresponding changes were made in the new version of the Articles of Association of the Company.

For quarterly review of the major and interested party transactions, please visit the Company's website.

The review for 2015 is in Appendix 4 to this Annual Report.

GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders is the supreme management body of the Company. The shareholders exercise their rights to manage the Company by voting, proposing items to the agenda of the meeting, and by recommending candidates to the Company's management and regulatory bodies.

On June 25, 2015, the Annual General Meeting of Shareholders was held in the form of shareholders' joint attendance. Over 150 shareholders and their representatives were at the meeting. The holders of over 89.16% of the Company's shares took part in discussion and voting on 16 agenda items.

The following resolutions were taken at the meeting:

- the annual report and annual financial statements of the Company for 2014 were approved;
- the profit distribution was approved as follows: 25% – for dividends, the rest – for development;
- new members of the Board of Directors and the Audit Commission were elected;
- RSM RUS Ltd. was approved as the Company's Auditor;
- the new version of the Articles of Association and six regulatory documents for the management and control bodies were approved.

Those shareholders whose shares are at the nominee had the possibility of electronic voting at the meeting. Two shareholders with NSD (National Settlement Depositary) as their nominee voted by an electronic document signed with an electronic signature.

No Extraordinary General Meetings of Shareholders were held in 2015.

For details on voting results and resolutions taken at the General Meeting of Shareholders, please visit the Company's website.

CONVOCATION AND PREPARATION FEATURES

Proposals to the agenda of the annual general meeting of shareholders can make within 60 days after the end of the calendar year.

In preparation for the meeting of IDGC of Centre in advance inform the shareholders and their representatives about the date, place and time of the event – to convene a meeting of a message and the agenda posted on the Company's website and sent by mail with ballot papers.

The Company provides shareholders with the opportunity to get acquainted in advance with the materials for the meeting in a convenient format for each shareholder – in electronic form on the Company's website, in hard copy in the office of IDGC of Centre and its branches, as well as in the registrar's office. Materials may not be available in less than 30 days before the meeting.

The date of compiling the list of persons entitled to participate in the meeting, revealed no less than 7 days prior to that date.

The entire disclosures are published in both Russian and English languages.

Every year IDGC of Centre invites you to attend in the meeting as members of the Board of Directors and Committees of the Board of Directors, the Audit Committee, the Board, the auditor, the representative of the FAS.

The voting results and the decisions announced at the General Meeting of Shareholders.

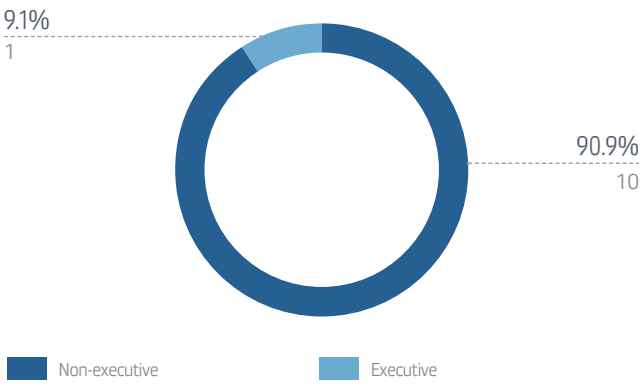
The Articles of Association of IDGC of Centre, also fixed the duty placed on the official web site of the Company's General Meeting of Shareholders protocol no later than 3 days from the date of its execution.

BOARD OF DIRECTORS

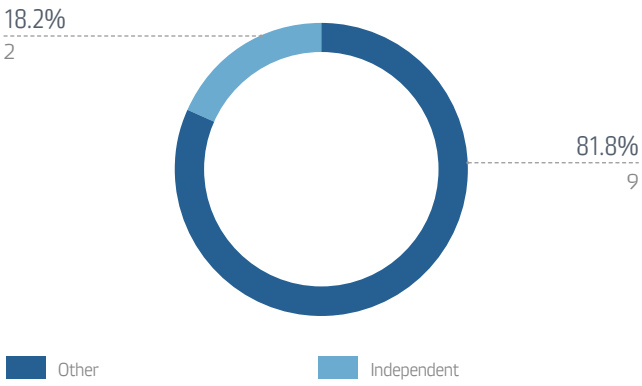
The Board of Directors exercises strategic management of the Company and is accountable to the General Meeting of Shareholders.
The Board of Directors of IDGC of Centre conducts its business pursuant to the Articles of Association and the following internal documents of the Company:

- Regulations on the Board of Directors approved by the annual General Meeting of Shareholders, minutes No. 01/15 dated June 26, 2015;
- Regulations on the Corporate Secretary of the Company approved by the Board of Directors, minutes No. 26/12 dated November 2, 2012.

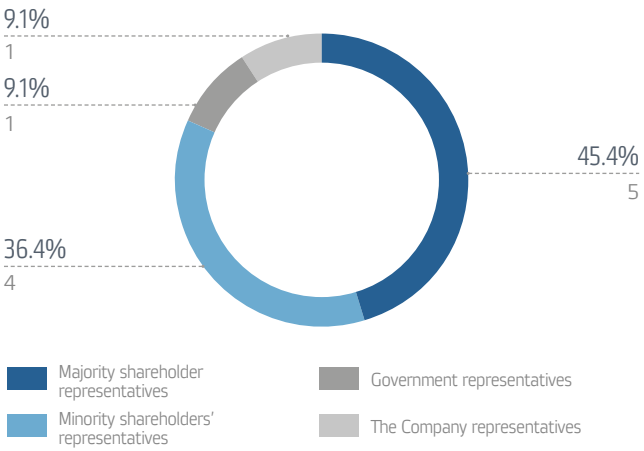
Non-executive directors in the Board of Directors, persons



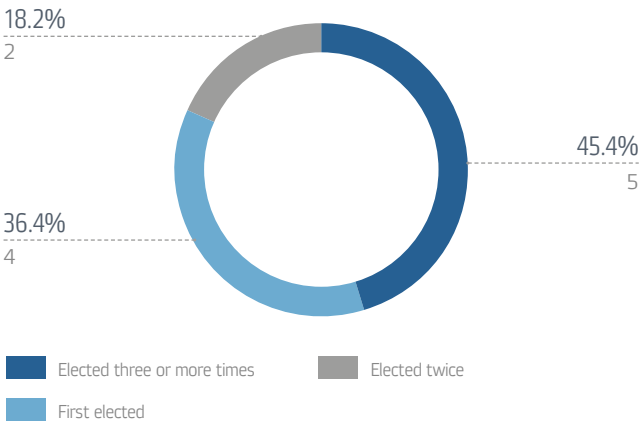
Independent directors in the Board of Directors, persons



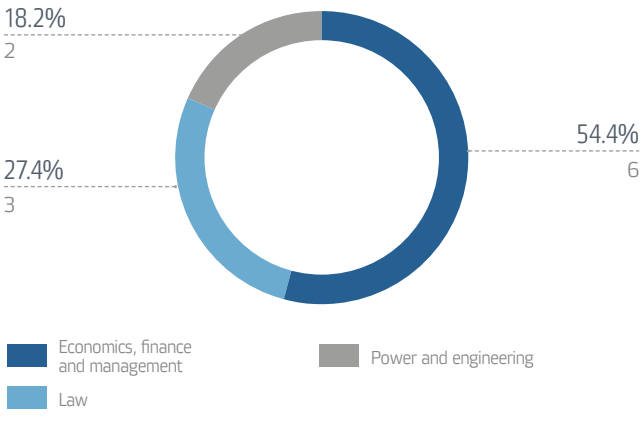
Structure of representatives in the Board of Directors, persons



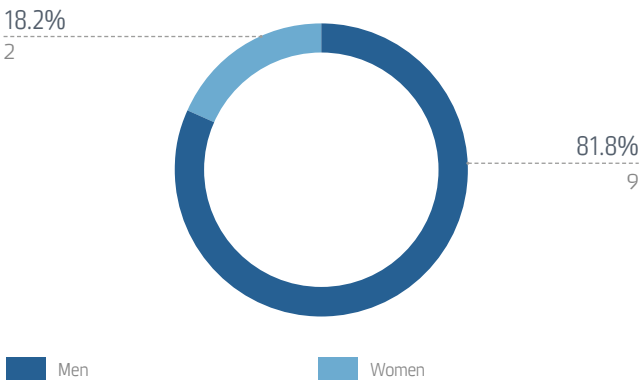
Number of the new members of the Board of Directors, persons



Education of the Board members, persons



Gender composition of the Board of Directors, persons



STRUCTURE OF THE BOARD OF DIRECTORS

On June 25, 2015, the shareholders elected four representatives of the minority shareholders (A.M. Branis, T.P. Dronova, R.A. Filkin, A.V. Shevchuk) and a representative of the Russian Ministry of Energy (A.N. Kharin) into the Board of Directors of IDGC of Centre.

Two of the first elected directors – T.P. Dronova and A.V. Shevchuk – fully conform to the requirements of independence established by the Corporate Governance Code and the Listing Rules of Moscow Exchange.

In 2015, the Company had two boards[1]:

Before June 25, 2015	After June 25, 2015
Oksana V. Shatokhina – Deputy General Director for Economics, JSC Russian Grids	Yury N. Mangarov – Adviser, JSC Russian Grids
Alexander M. Branis – Director, Prosperity Capital Management (Russia) Ltd	Alexander M. Branis – Director, Prosperity Capital Management (Russia) Ltd
Oleg Yu. Isaev – General Director, Chairman of the Board, IDGC of Centre	Tatyana P. Dronova – Deputy Director for Strategy and Development, JSC Investment Holding "E-Union"
Denis V. Kulikov – Adviser to the Executive Director, Association of Institutional Investors	Oleg Yu. Isaev – General Director, Chairman of the Board, IDGC of Centre
Maria V. Lazareva – Head of the Expert and Analytical Department, JSC Russian Grids	Denis A. Malkov – Head of the Balance and Energy Accounting Department, JSC Russian Grids
Yury N. Mangarov – Adviser, JSC Russian Grids	Yury N. Pankstyanov – Head of the Tariff Policy Department, JSC Russian Grids
Maxim M. Saukh – Head of Corporate Relations Section of the Department for Corporate Governance and Shareholder and Investor Interactions, JSC Russian Grids	Maxim M. Saukh – Head of the Corporate Relations Section of the Department for Corporate Governance and Shareholder and Investor Interactions, JSC Russian Grids
Pavel N. Snikkars – Director of the Electrical Utility Industry Development Department of the Ministry of Energy of the Russian Federation	Roman A. Filkin – Co-Director, Power Engineering and Machine Building, of the Representative Office of Prosperity Capital Management (Russia) Ltd.
Vladimir V. Sofyin – Head of the Technological Development and Innovations Department, JSC Russian Grids	Andrey N. Kharin – Deputy Director for Corporate Governance, Price Environment and Control and Audit in the Energy Complex of the Ministry of Energy of the Russian Federation
Roman A. Filkin – Co-Director, Power Engineering, Machine Building of the Representative Office of Prosperity Capital Management (Russia) Ltd.	Alexander V. Shevchuk – Executive Director, Association of Institutional Investors
Natalia I. Erpsher – Head of the Organisational Development Office, HR Policy and Organisational Development Department, JSC Russian Grids	Natalia I. Erpsher – Head of the Organisational Development Office, HR Policy and Organisational Development Department, JSC Russian Grids

1 *The given positions of the Board members are as of the date of election.*

Brief information on the present Board of Directors of IDGC of Centre (elected June 25, 2015 at the Annual General Meeting of Shareholders)[1]

MANGAROV YURY N.

Chairman of the Board

Non-executive director

Representative of the majority shareholder

Chief Adviser, PJSC Rosseti

Born in 1956, Russian citizen.

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

Over the past 5 years he worked as: Adviser at JSC Russian Grids, Deputy Chief Executive Officer, Deputy Chairman of the Management Board, Member of the Management Board, Director for Control and Audit Operations at JSC FGC UES, Deputy Chief Executive Officer of JSC IDGC Holding.

At present: Chairman of the Board of Directors of JSC Ingushenergo, JSC Kubanenergo, JSC Sevkavkazenergo, JSC Kabbalkenergo, JSC Dagestan power supply company, JSC Kalmenergosbyt, JSC Tyvaenergosbyt, JSC Karachaevo-Cherkesskenergo, JSC Yantarenergo, Deputy Chairman of the Board of Directors of JSC IDGC North Caucasus, Member of the Board of Directors of JSC MOESK, Chairman of the Nomination and Remuneration Committee of the Board of Directors of IDGC of Centre.

First elected to the Company's Board of Directors on June 26, 2014.

PANKSTYANOV YURY N.

Deputy Chairman of the Board

Non-executive director

Representative of the majority shareholder

Head of the Tariff Policy Department, PJSC Rosseti

Born in 1980, Russian citizen.

In 2002 he graduated from the State University of Management with the qualification of Manager.

Over the past 5 years he worked as: Head of Tariff Policy Department at JSC IDGC Holding, Head of Tariff Policy Department at JSC Russian Grids, Member of the Board of Directors at JSC IDGC of the Volga Region and at JSC Tyumenenergo.

At present: Member of the Board of Directors at JSC IDGC of South, Chairman of the Audit Committee and the Strategy and Development Committee of the Board of Directors at JSC IDGC of Centre, Member of the Personnel and Remuneration Committee of the Board of Directors of JSC IDGC of Centre.

First elected to the Company's Board of Directors on June 25, 2015.

ISAEV OLEG YU.

Executive Director

Representative of the Company

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

Born in 1969, Russian citizen.

Graduated from the USSR Military Institute as a lawyer in 1992, and in 2004 from the Russian Public Administration Academy under the President of the Russian Federation. He completed a professional retraining programme in Power Industry Business Management in 2011-2012. Doctor of Law.

Over the past 5 years he was: Director General, Interim Director General, First Deputy Director General of JSC VO Technopromexport, Chairman of the Board of Directors of JSC VO Tyazhpromexport.

At present: Member of the Management Board of the Moscow Chamber of Commerce and Industry.

He has state and industry awards.

First elected to the Company's Board of Directors on June 14, 2013.

BRANIS ALEXANDER M.

Non-executive director

Representative of the minority shareholder

Director, Prosperity Capital Management (Russia) Ltd

Born in 1977, Russian citizen.

Graduated from the Academy of National Economy under the Government of the Russian Federation in 2001 with a Bachelor's degree in Management.

Over the past 5 years was: Chief Accountant, Chairman of the Liquidation Commission of Prosperity Capital Management Ltd., Member of the Board of Directors of JSC Bashkirenergo and JSC TGC-6.

At present:

Chief Investment Officer of Prosperity Capital Management (Russia) Ltd., Member of the Board of Directors of JSC TGC-2, JSC IDGC South, JSC IDGC of the Central and Volga Regions, Association of Institutional Investors.

First elected to the Company's Board of Directors on December 9, 2004.

[1] *The information as of December 31, 2015 pursuant to the laws of the Russian Federation on personal data.*

DRONOVA TATYANA P.

Independent director

Representative of the minority shareholder

Deputy Director for Strategy and Development, JSC Investment Holding "E-Union"

Born in 1954, Russian citizen.

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

Over the past 5 years she has been: Deputy General Director for Economics and Finance at JSC Electrocentronaladka, and is Chairman of the Board of Directors at JSC Bank Agroros and a member of the Board of Directors at JSC Electrocentronaladka.

Since 2015, she has been a member of the Board of Directors of JSC IDGC of the North-West, and a member of the Audit Committee and the Personnel and Remuneration Committee of the Board of Directors of JSC IDGC of Centre.

First elected to the Company's Board of Directors on June 25, 2015.

MALKOV DENIS A.

Non-executive director

Representative of the majority shareholder

Head of Balance and Energy Accounting Department, PJSC Rosseti

Born in 1974, Russian citizen.

Graduated from the Ural Federal University (former Ural Technical Institute) named after the first President of Russia B.N. Yeltsin with a qualification in electric drive and automation of industrial installations and technological complexes in 1996.

Over the past 5 years he was: Head of the Technical Development Department at JSC IDGC Ural, Head of the Substations Department at JSC FGC UES, Member of the Board of Directors at JSC IDGC Ural, JSC ESK Ural, JSC IDGC of the Volga Region, JSC ESK and JSC Kalmenergosbyt.

At present: Member of the Board of Directors at JSC MOESK, member of the Audit Committee and the Personnel and Remuneration Committee of the Board of Directors of JSC IDGC of Centre.

First elected to the Company's Board of Directors on June 25, 2015.

SAUKH MAXIM M.

Non-executive director

Representative of the majority shareholder

Head of the Corporate Governance and Shareholder Relations Department, PJSC Rosseti

Born in 1979, Russian citizen.

Graduated from the St. Petersburg Institute of Humanities a degree in Law in 2001.

Over the past 5 years he was: Deputy Head and Head of the Corporate Governance and Shareholder Relations Department at JSC IDGC Holding, Member of the Board of Directors at a number of energy sector companies.

At present: Member of the Board of Directors of JSC NIC EES, IT Energy Service LLC, JSC Pskovenergosbyt, JSC Ekaterinburg Power Grid Company, JSC Kabbalkenergo.

Member of the Audit Committee, Strategy and Development Committee of the Board of Directors of IDGC of Centre.

First elected to the Company's Board of Directors on June 15, 2012.

FILKIN ROMAN A.

Non-executive director

Representative of the minority shareholder

Director, Power Engineering, Machine Building of the Representative Office of Prosperity Capital Management (Russia) Ltd

Born in 1983, Russian citizen.

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

Over the past 5 years he was: Co-Director, Power Engineering, Machine Building of the Representative Office of Prosperity Capital Management (Russia) Ltd., Member of the Board of Directors of energy and pipeline companies.

At present: Member of the Board of Directors of JSC IDGC of the North-West, JSC TGK-2, JSC Dalenergomontazh, JSC Smolensk Power Maintenance Company, JSC IDGC of the South, JSC IDGC of the Central and Volga Regions, Member of the Audit Committee, Personnel and Remuneration Committee and the Strategy and Development Committee of the Board of Directors of IDGC of Centre.

First elected to the Company's Board of Directors on June 11, 2009.

SHEVCHUK ALEXANDER V.

Independent director

Representative of the minority shareholder

Executive Director, Association of Institutional Investors

Born in 1983, Russian citizen.

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

Over the past 5 years he was: expert, chief expert, Deputy Executive Director of the Association of Institutional Investors, Member of the Board of Directors of JSC UAZ, JSC IDGC North Caucasus, JSC Volgogradgorgaz, JSC Urengoitruboprovodstroi, JSC Yuzhtruboprovodstroi, JSC Centertelecom, JSC YTK, JSC Sibirtelecom, JSC NSS, JSC Dalsvyaz.

At present: Member of the Board of Directors of JSC MOSTOTREST, JSC IDGC of South, JSC OGC-2, JSC IDGC of the Central and Volga Regions, Chairman of the Grid Connection Committee, Deputy Chairman of the Personnel and Remuneration Committee, Member of the Audit Committee at JSC IDGC of Centre.

First elected to the Company's Board of Directors on June 17, 2011.

Has no shares of IDGC of Centre or stake in the charter capital of the Company

ERPSHER NATALIA I.

Non-executive director

Representative of the majority shareholder

Head of the Organisational Development Office, HR Policy and Organisational Development Department, PJSC Rosseti

Born in 1969, Russian citizen.

Graduated from the Moscow State University of Railway Engineering with a degree in Systems Engineering in 1991; in 2002 from Lomonosov Moscow State University with a degree in Psychology of Personnel Management; in 2012 from the Institute of Electric Engineering (MPEI), Presidential Management Training Programme in Production and Project Management

Over the past 5 years she was: Head of the Organisational Development Department of JSC FGC UES, Head of the Organisational Development Department of JSC IDGC Holding, Member of the Board of Directors of JSC IDGC of South, JSC TRK, JSC NIC of the South, JSC VNIPIenergoprom.

At present: Member of the Board of Directors of JSC SZUEK, Chairman of the Personnel and Remuneration Committee and Deputy Chairman of the Audit Committee of the Board of Directors of IDGC of Centre.

First elected to the Company's Board of Directors on June 26, 2014.

Has no shares of IDGC of Centre or stake in the charter capital of the Company.

KHARIN ANDREY N.

Non-executive director

Representative of the Russian Government

Deputy Director for Corporate Governance, Price Environment and Control and Audit in the Energy Complex at the Russian Ministry of Energy

Born in 1979, Russian citizen.

Graduated from Stavropol State University majoring in Law in 2001.

Over the past 5 years he was: Corporate Governance Director, Deputy General Director at JSC IDGC North Caucasus, advisor of the General Director at JSC DVEUK, Member of the Board of Directors at JSC IDGC of the Central and Volga regions and JSC NIC EES.

At present: Member of the Board of Directors at JSC IDGC of the Volga Region, JSC Arcticshelfneftegaz, JSC VNIMI, JSC Kubanenergo, JSC IDGC of South and JSC CGE.

First elected to the Company's Board of Directors on June 25, 2015.

THE DIRECTORS THAT WERE THE MEMBERS OF THE BOARD IN 2015, BUT LEFT THEIR POSITIONS ON JUNE 25, 2015[1]

Oksana V. Shatokhina
Chairman of the Board
Non-executive director,
Representative of the majority shareholder

Deputy General Director for Economics, JSC Russian Grids

Born in 1975, Russian citizen.
Graduated from the Financial Academy under the Government of the Russian Federation with a degree in Finance and Credit in 1999.

Maria V. Lazareva
Non-executive director,
Representative of the majority shareholder

Head of the Expert and Analytical Department, JSC Russian Grids

Born in 1973, Russian citizen.
Graduated from the Russian State Tax Academy of the Ministry of the Russian Federation for Taxes and Levies with a degree in Finance and Credit in 2006, and in 1997 from the Moscow State Open Pedagogical University.

Denis V. Kulikov
Independent director,
Representative of the minority shareholder

Adviser to the Executive Director, Association of Institutional Investors

Born in 1975, Russian citizen.
Graduated from the Moscow State Law Academy with the qualification of lawyer in 2005.
Shareholder of IDGC of Centre, with a stake in the charter capital of the Company of 0.0007106% (300,000 shares.)

Pavel N. Snikkars
Non-executive director,
Representative of the Russian Government

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

Born in 1978, Russian citizen.
Graduated from the Siberian Academy of Public Administration with a degree in State and Municipal Management in 2000, and in 2005 from the Siberian University of Consumer Cooperation with a degree in Law. Ph.D. in Economics.

Vladimir V. Sofyin
Non-executive director,
Representative of the majority shareholder

Head of the Technological Development and Innovations Department, JSC Russian Grids

Born in 1969, Russian citizen.
Graduated from the Ural Polytechnic Institute named after S.M. Kirov with a degree in Electric Systems and Networks in 1992.

[1] *Information as of June 30, 2015 – the last date these members shall provide their personal information pursuant to the laws of the Russian Federation on personal data.*

Additional information on members of the Board of Directors in 2015

Holder of the Company's shares	No
Transactions with shares of the Company in 2015	No
Participation in the charter capital of the Company's subsidiaries	No
Transactions between members of the Company's Board of Directors in 2015	No
Lawsuits against members of the Board of Directors	No
Training of the Board members at the Company's expense	No
Work or participation in the management bodies of competitor companies	No

REPORT OF THE CHAIRMAN ON PERFORMANCE OF THE BOARD OF DIRECTORS

Our meetings are held on a regular basis in accordance with the preliminarily approved plan - at least twice a month. The Board meeting is held in the form of joint presence at least once per quarter.

When preparing for a meeting, the Company informs the Board members on its convening, and provides the materials on the agenda items within 15 working days prior to the meeting.

In 2015, we had 28 meetings, including four on-site meetings. During these meetings the Board discussed 245 issues, the major being as follows:

- 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 the Shareholders of the Company and its subsidiaries;
- approval of the Company's transactions, including related-party transactions.

We strive for taking more balanced decisions, so the key issues such as approval of the Company's business plan for the upcoming year, including the investment programme, and reports on its fulfilment, the KPI of the Company and reports on their fulfilment, are preliminarily discussed and approved at the meetings of the Strategy and Development Committee.

"We did a good job in 2015. Despite the negative economic environment and the legislative problems of the distribution sector, we tried to take balanced decisions aimed at improving the quality and reliability of electricity supply, at maintaining financial stability and solvency of the Company, as well as providing for dividend payments to our shareholders."

Yury N. Mangarov, Chairman of the Board of Directors

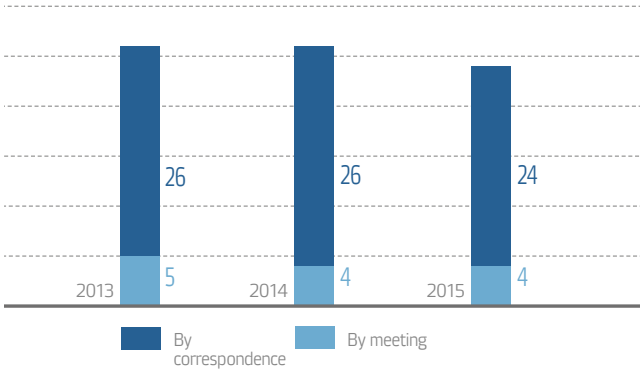
INITIATION OF NEW BOARD MEMBERS

Within a month after the election, the Corporate Secretary instructs the new Board members on the internal documents of the Company and resolutions by the previous Board and the Board Committees, and sends all the contact information to them. The representatives of the Company management usually have personal meetings with the new Board members.

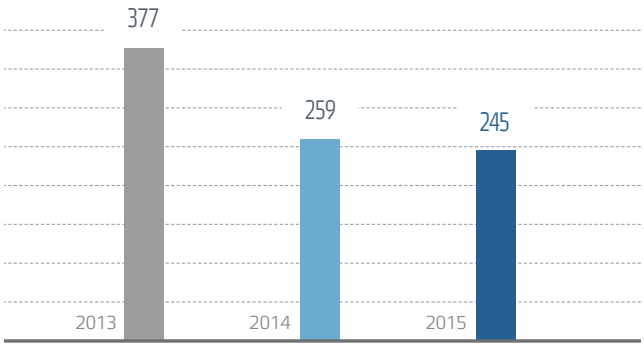
IDGC of Centre informs the Board members on their main duties, responsibilities, rules and procedures pursuant to which they shall perform their duties.

The same introduction procedure is for members of the Board Committees.

Number and form of the meetings by the Board of Directors

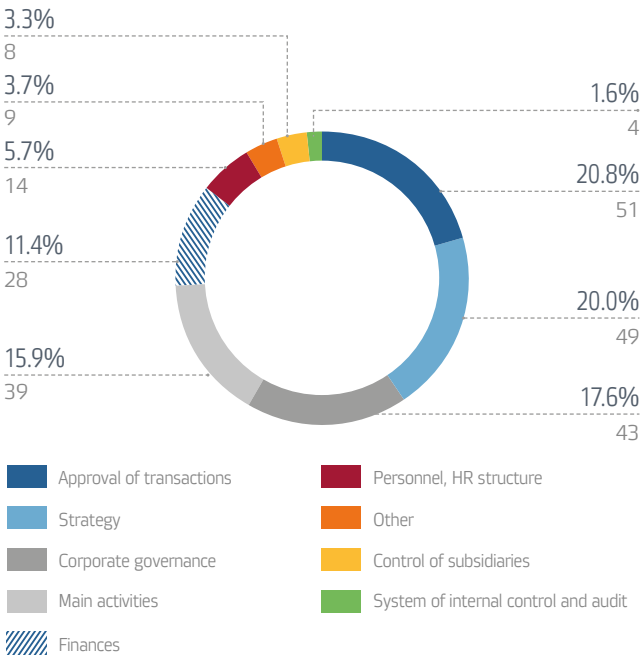


Number of issues discussed by the Board of Directors



For details on resolutions by the Board of Directors, please visit the official website of the Company.

Structure of issues discussed by the Board of Directors



Activity of the Board members at Board meetings and Committee meetings in 2015[1]

Full name of the Board member	Board of Directors	Committees of the Board				
		Strategy and Development	Audit	Reliability	Grid Connection	Personnel and Remuneration
The Board members throughout 2015						
Alexander M. Branis	28(1)/ 28(4)	–	–	–	–	–
Oleg Yu. Isaev	26(3)/ 28(4)	–	–	–	–	–
Yury N. Mangarov	28(3)/ 28(4)	–	8(1)/8(1)	–	–	11/11
Maxim M. Saukh	28(3)/ 28(4)	12(3)/12(4)	13(1)/13(1)	–	–	–
Roman A. Filkin	28(4)/ 28(4)	12(3)/12(4)	12(1)/13(1)	–	–	8/11
Natalia I. Erpsher	28(4)/ 28(4)	–	13(1)/13(1)	–	–	11/11
The Board members that left the Board on June 25, 2015						
Denis V. Kulikov	13(1)/ 13(1)	–	7/8	–	7/7	7/7
Maria V. Lazareva	13(1)/ 13(1)	–	–	–	–	7/7
Pavel N. Snikkars	12(0)/ 13(1)	–	–	–	–	–
Vladimir V. Sofyin	13(1)/ 13(1)	–	8/8	–	–	–
Oksana V. Shatokhina	13(1)/ 13(1)	–	8/8	–	–	–
The Board members that were elected on June 25, 2015						
Tatyana P. Dronova	10(2)/ 15(3)	–	5(1)/5(1)	–	–	3/4
Denis A. Malkov	15(3)/ 15(3)	–	5(1)/5(1)	–	–	4/4
Yury N. Pankstyanov	15(2)/ 15(3)	11(2)/12(4)	5(1)/5(1)	–	–	4/4
Andrey N. Kharin	14(1)/ 15(3)	–	–	–	–	–
Alexander V. Shevchuk	15(2)/ 15(3)	6(2)/6(2)	5(0)/5(1)	–	7/7	4/4

[1] *X (n)/Y(m): X – number of meetings at which the member was present, Y – the total number of meetings at which the member could be present, n, m – number of meetings with joint presence.*

REMUNERATION OF THE BOARD MEMBERS

The General Meeting of Shareholders approved a new Regulation on Remuneration to the Board members in 2015, with the purpose of improving its corporate governance practice and conformance to CGC principles of the Bank of Russia. This document significantly changed the Company's policy in remuneration payment.

Starting from June 25, 2015, short-term remuneration for participation in each meeting was abolished. Pursuant to the new regulation, the remuneration shall be the single payment as per results of the year during which the Board member performed the work.

Criteria of remuneration payment until June 25, 2015

Type of remuneration	Criteria and calculation	Amount paid in 2015
For participation in the Board meetings	5 minimum monthly wages for off-site participation in the meeting	RUB 4,556 thousand
	10 minimum monthly wages for on-site participation in the meeting	
	+ 50% to the Chairman of the Board	
Additional remuneration (if the Board Member participated in over 50% of the meetings (since his election until his removal)):		
For net profit (as per annual financial statements approved by the annual GSM)	Calculated based on: – amount of net profit as per annual financial statements approved by the annual GSM; – number of the Board Members according to the Articles of Association of the Company; – number of the meetings during the year in which the Board Member participated.	RUB 27,698 thousand
	Remuneration to the Chairman is with 1.5 coefficient	
	May not exceed: – 5 fixed salaries of the General Director – for the Board Member; – 7 fixed salaries of the General Director – for the Chairman.	
For an increase in the Company's market capitalisation during the work of the Board	0.0175% of the increase of the market value of the Company, calculated for the period from the member's election until election of the new Board	Not paid in 2015
	The average monthly volume of stock exchange transactions with the Company's ordinary shares shall amount to at least RUB 1.5 mln during the term of the office of the Board	
	May not exceed 5 fixed salaries of the General Director	

Criteria of remuneration payment starting from June 25, 2015

Type of remuneration	Criteria and calculation	Amount paid in 2015
For participation in the Board meetings	Calculation per formula: S (1) = R_{bas} ×100/130 (n / m), R_{bas} – the basic part of the remuneration as per the amount of net profit according to RAS statements; n – number of meetings between 2 annual GSM at which the member was present; m – total number of meetings between 2 annual GSM.	Not paid in 2015
	R_{bas} depends on the amount of net profit according to RAS statements: Over RUB 200 bln = RUB 1,000,000; Over RUB 30 bln = RUB 900,000; Over RUB 10 bln = RUB 800,000; Over RUB 1 bln = RUB 700,000; Over RUB 600 mln = RUB 600,000; Less RUB 600 mln = RUB 500,000.	
	Bonuses: + 30% – to the Board Chairman + 20% – to the Chairman of the Board Committee + 10% – to the Board Committee Member Condition: The total amount of remuneration may not exceed R_{bas}	
For an increase in the Company's market capitalisation	0.0175% of the increase of the market value of the Company, calculated for the period from the member's election until the election of the new Board.	Not paid in 2015
	Condition: May not exceed 5% of the net profit according to RAS statements.	

Remuneration to the Board Members of the Company in 2015

Type of remuneration	Amount of remuneration, RUB thousand (personal income tax included)
Remuneration for participation in the Board	32,254
including:	
For participation in meetings in 2015	4,556
Additional remuneration based on 2014 results	27,698
Other types of remuneration[1]	1,167
Total	33,421

[1] *Payments to individual members of the Board of Directors for their work on the Board committees.*

Amounts of remuneration paid to the Board members of IDGC of Centre in 2015[1]

No	Full name of the Board member	Amount of remuneration in 2015 (personal income tax included)
1.	Alexander M. Branis	2,264.2
2.	Alexander V. Shevchuk	1,697.6
3.	Sergey A. Arkhipov	2,590.0
4.	Natalia I. Erpsher	2,085.4
5.	Roman A. Filkin	2,534.6
6.	Vladimir V. Sofyin	2,008.8
7.	Valery A. Goncharov	1,511.8
8.	Sergey A. Demin	1,511.8
9.	Alexey V. Molsky	1,511.8
10.	Denis V. Kulikov	2,113.9
11.	Oksana V. Shatokhina	3,335.5
12.	Oleg Yu. Isaev	2,232.3
13.	Yury N. Mangarov	2,071.5
14.	Maria V. Lazareva	2,002.4
15.	Yury N. Pankstyanov	0
16.	Tatyana P. Dronova	0
17.	Denis A. Malkov	0
18.	Andrey N. Kharin	–
19.	Pavel N. Snikkars	–

The Board Members T.P. Dronova, D.A. Malkov and Yu.N. Pankstyanov didn't receive any remuneration in 2015 as it was their first election to the Board. A new regulation on Remuneration to the Board members came into force, according to which the Board members receive only a single payment as per the year's results.

[1] *The information is provided with the written consent of the above Board members. The amounts of individual remuneration to M.V. Kaloeva and M.M. Saukh are not disclosed, since there is no consent of these members of the Board of Directors to publish such information*

COMMITTEES OF THE BOARD OF DIRECTORS

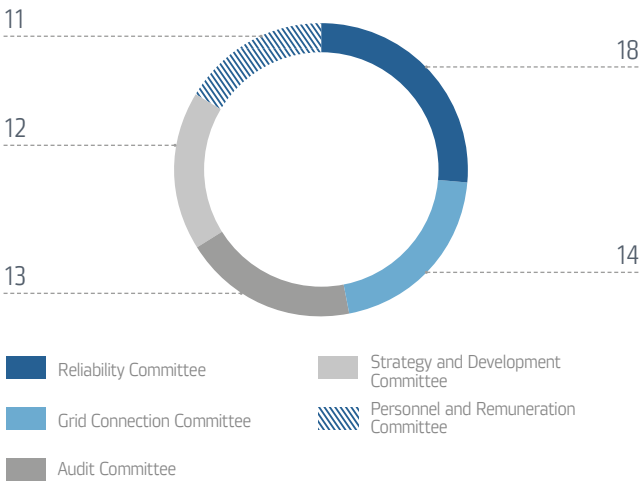
The Committees of the Board of Directors are consultative and advisory bodies; their purpose is to consider and make preliminary recommendations on the most important issues addressed to the competence of the Board of Directors.

IDGC of Centre has five Committees of the Board of Directors:

- the Reliability Committee;
- the Grid Connection Committee;
- the Strategy and Development Committee;
- the Audit Committee;
- the Personnel and Remuneration Committee.

The Committees consist of representatives of various groups of the Company's shareholders which make their work more effective and increases objectiveness and independence of their decisions.

Number of Committee meetings in 2015



REPORT OF THE CHAIRMAN OF THE RELIABILITY COMMITTEE

The Reliability Committee was established in January 2006. The main goal of the Committee is to give recommendations to the Board of Directors on the following:

- examination of production programmes and target programmes to improve reliability and plans for retooling and modernisation, reconstruction, new construction and repair of the Company's grid facilities, analysis of its development and execution in terms of compliance with reliability requirements for operation and maintenance of electric grids;
- evaluation of the completeness and sufficiency of the measures based on the accident investigation results pursuant to the Rules of accident reasons investigation in the energy industry (approved by Decree No. 846 of the Government of the Russian Federation dated October 28, 2009); control over execution of these measures;
- examination of the quality of technological violations (accidents) reasons investigation;
- examination of the accident-prevention measures of the Company (emergency preparedness, organisation and carrying out of emergency recovery operations at power grid facilities);
- examination of the programmes to prevent and reduce the risk of injury for Company employees and third parties, as well as control of their execution;
- control and assessment of performance of the Company's technical services in terms of ensuring operational reliability and safety of grids;
- examination of the internal technical control system of the Company, examination of the safety management system of the Company, examination of implementation of the environmental policy programme, examination of the fire safety system.

The Committee operates in accordance with the Regulations on the Reliability Committee of the Board of Directors of IDGC of Centre, in particular its new version (approved by the Board of Directors, Minutes No. 16/15 dated August 19, 2015).

For details on this document, please visit the Company's website.

At present the Committee consists of

Sergey M. Katayev, Chairman of the Committee	Head of Operational and Technological Management Department, PJSC Rosseti
Alexander V. Pilyugin, Deputy Chairman of the Committee	Deputy Chairman of the Management Board, First Deputy General Director – Chief Engineer of IDGC of Centre
Eduard V. Bogomolov	First Deputy Director of Centre for Technical Inspection – branch of PJSC Rosseti
Andrey V. Gritsenko	General Director of CJSC Capital Asset Management
Evgenia V. Kabanova	Deputy General Director for Service Sale and Development of IDGC of Centre
Sergey Yu. Rumyantsev	Member of the Management Board, Deputy General Director for Economy and Finance of IDGC of Centre
Vladimir S. Motin	Head of the Development Department at the Moscow branch of Bank Agroros CJSC
Alexander V. Pavlov	Chief Adviser at the Energy Development Department, Ministry of Energy of the Russian Federation
Igor G. Polovnev	Financial Director, Association of Institutional Investors

In 2015, we had 18 meetings and discussed the following key issues:

- programmes on reducing the risk of injury / on reducing the risk of injury to third parties at the Company facilities / on implementation of environmental policy / on increasing reliability / on repairs / on elimination of hazards in operation of hazardous equipment, machinery and mechanisms / Investment programmes;
- reports on execution of the said programmes;
- reports on the Company performance in accident prevention and other.

"In a difficult macroeconomic situation, we managed to achieve positive results in providing reliable and good-quality electricity supply to our consumers and in creating favourable conditions for economic development of the regions of our operation."

Sergey M. Katayev, Chairman of the Reliability Committee

For details on the Committee Members, please visit the Company's website.

For details on the Committee resolutions, please visit the Company website.

REPORT OF THE CHAIRMAN OF THE GRID CONNECTION COMMITTEE

The Grid Connection Committee was established in February 2009. The main goal of the Committee is to give recommendations to the Board of Directors on the following:

- preparation of proposals on improvement of antimonopoly laws and non-discriminatory access to grid connection services;
- preparation of proposals on improvement of internal regulations and standards of the Company on non-discriminatory access to grid connection services;
- elaboration of the principle and criteria for evaluation of the Company's performance in grid connection of consumers;
- evaluation of the effectiveness of the Company's grid connection services to consumers;
- analysis of the Company's current situation with grid connection of consumers, and preparation of proposals to be considered by the Board concerning grid connection of consumers.

The Committee operates in accordance with the Regulations on the Grid Connection Committee of the Board of Directors of IDGC of Centre (approved by the Board of Directors, Minutes No. 01/09 dated February 13, 2009).

For details on this document, please visit the Company website.

In 2015, we had 14 meetings and discussed the following issues:

- work with complaints and applications related to grid connection;
- results of grid connection of consumers / grid connection of generating facilities / federal consumers / small and medium-sized businesses / population;
- preliminary discussion of the report by the General Director on execution of the Plan by the Tverenergo branch to fulfil liabilities under grid connection contracts not later than December 31, 2015.

"Last year we connected a number of companies which are important for social and economic development of our regions. The Company succeeded to fulfil its obligations for timely connection of large industrial, residential and social facilities, and small and medium-sized businesses. By the end of the year the volume of connected capacity increased by 1.8% compared to 2014, and the grid connection revenue amounted to RUB 1,159.7 mln."

Alexander V. Shevchuk, Chairman of the Grid Connection Committee of the Board of Directors

For details on the Committee Members, please visit the Company's website.

For details on the Committee resolutions, please visit the Company's website.

At present the Committee consists of

Alexander V. Shevchuk, Chairman of the Committee	Executive Director, Association of Institutional Investors
Evgenia V. Kabanova, Deputy Chairman of the Committee	Deputy General Director for Service Sale and Development of IDGC of Centre
Alina Kh. Akhmedova	Head of the Legal Support Department of IDGC of Centre
Alexey N. Zharikov	Head of the Department of Corporate Policy and Shareholder Relations, JSC Electrocentronaladka
Alexander Yu. Korneev	Head of the Grid Connection Regulation Department, PJSC Rosseti
Irina B. Masaleva	Director of Perspective Development and Grid Connection Department, PJSC Rosseti
Alexander V. Pavlov	Chief Adviser at the Energy Development Department, Ministry of Energy of the Russian Federation
Igor G. Polovnev	Financial Director, Association of Institutional Investors
Olga A. Kharchenko	Corporate Governance Director – Head of the Department of Corporate Governance and Shareholder Relations, IDGC of Centre

REPORT OF THE CHAIRMAN OF THE STRATEGY AND DEVELOPMENT COMMITTEE

The Strategy and Development Committee of the Board of Directors of the Company was established in April 2008. The main goal of the Committee is to give recommendations to the Board of Directors on the following:

- defining the Company's business priorities, strategic goals and key principles of the Company's strategic development;
- improving the Company's investment appeal, its investment activity and taking balanced investment decisions;
- adjustment of the Company's current development strategy;
- control over the execution of programmes and projects.

The Committee operates in accordance with the Regulations on the Strategy and Development Committee of the Board of Directors of IDGC of Centre (approved by the Board of Directors, Minutes No 09/08 dated April 30, 2008).

For details on this document, please visit the Company's website.

Twelve meetings were held in 2015, including 4 on-site meetings. The following issues were considered:

- Business plan of the Company (including the Investment programme and information on main operational risks), including adjustment;
- Reports on their execution;
- Internal documents of the Company;
- Programmes for innovation development; energy saving and energy efficiency increase; perspective development of electricity metering systems on the retail market;
- Participation/termination of participation in other companies;
- Defining the Company's business priorities.

"We continued to improve the financial and operational efficiency of the Company. Despite the negative influence of the external factors, we managed to preserve financial stability, in particular by successful implementation of the programme on costs decrease which allowed us to reduce operating expenses by 8.5%."

Yury N. Pankstyanov, Chairman of the Strategy and Development Committee

For details on the Committee Members, please visit the Company's website.

For details on the Committee resolutions, please visit the Company's website.

At present the Committee consists of

Yury N. Pankstyanov, Chairman of the Committee	Director of the Tariff Policy Department, PJSC Rosseti
Sergey Yu. Lebedev, Deputy Chairman of the Committee	Director of the Strategic Development Department, PJSC Rosseti
Dmitry M. Andropov	Head of the Credit and Structural Financing Office, Finance Department, PJSC Rosseti
Sergey V. Belevantsev	General Director, Business Dialogue Financial Company LLC
Elena V. Bogach	Head of the Strategic Planning Office, Strategic Development Department, PJSC Rosseti
Aleksey N. Goncharov	Head of the Department of Relations and Settlements with Energy Market Players, PJSC Rosseti
Andrey V. Gritsenko	General Director of CJSC Capital Asset Management
Konstantin V. Zavizenov	Deputy Director of the Energy Development Department, Ministry of Energy of the Russian Federation
Alexey N. Zharikov	Head of the Department of Corporate Policy and Shareholder Relations, JSC Electrocentronaladka
Sergey V. Podlutsky	Head of the Summary Planning and the Reporting Office, Investment Department, PJSC Rosseti
Sergey V. Pokrovsky	Deputy Executive Director, Association of Institutional Investors
Sergey Yu. Rumyantsev	Member of the Management Board, Deputy General Director for Economy and Finance of IDGC of Centre
Nadezhda V. Sedykh	Chief Expert for Subsidiaries Performance, Department of Economic Planning and Budgeting, PJSC Rosseti
Maxim M. Saukh	Head of the Corporate Governance and Shareholder Relations Department, PJSC Rosseti
Oleg R. Fedorov	Adviser of Director of the Federal Agency of State Property Management (Rosimushchestvo) on a volunteer basis
Roman A. Filkin	Deputy Director, Representative Office of Prosperity Capital Management (Russia) Ltd

REPORT OF THE CHAIRMAN OF THE AUDIT COMMITTEE

The Audit Committee of the Board of Directors was established in April 2008. The main goal of the Committee is to assist the Board of Directors in executing their duties in the following issues:

- consideration of the financial (accounting) statements and control of their preparation;
- control of the risk management system, internal control and corporate governance systems;
- control of the audit execution and selection of the external auditor;
- organising and providing for independence and objectivity of the internal audit;
- control of efficiency of the system of combating fraud by employees and third parties.

The Committee operates in accordance with the Regulations on the Audit Committee of the Board of Directors of IDGC of Centre (approved by the Board of Directors, Minutes No 05/15 dated March 16, 2015).

For details on this document, please visit the Company's website.

For details on the Committee Members, please visit the Company's website.

Thirteen meetings of our Committee were held in 2015, including one on-site meeting. The following significant issues were considered in the reporting year:

- Quarterly and annual financial (accounting) statements of the Company;
- Comments by the external auditor on the main problems of financial (accounting) statements;
- Significant aspects of the accounting policy of the Company;
- Reports on: key risks of the Company, on results of internal audit performance, on efficiency of the internal control system, on conforming to requirements of insider information control by the Company; reports by independent evaluators on the market value assessment;
- Operational risks registers;
- Preliminary consideration of the new version of Regulations on the Audit Committee of the Board of Directors;
- Terms of the contract with the external auditor and recommendations to the Board of Directors on the amount of remuneration to the external auditor;
- Considering the candidate of the external auditor for 2015 financial (accounting) statements of the Company.

"Evaluation of the internal control system efficiency in 2015 shows positive dynamics that suggest the maturity level of ICS is close to "optimal". This is thanks to the performance by the management to improve internal control and risk management policy, which will be continued next year."

Yury N. Pankstyanov, Chairman of the Audit Committee

For details on the Committee resolutions, please visit the Company's website.

At present the Committee consists of

Yury N. Pankstyanov, Chairman of the Committee	Director of the Tariff Policy Department, PJSC Rosseti
Natalia I. Erpsher, Deputy Chairman of the Committee	Head of the Organisational Development Office, HR Policy and Organisational Development Department, PJSC Rosseti
Tatyana P. Dronova	Deputy Director for Strategy and Development, JSC Investment Holding "E-Union"
Denis A. Malkov	Head of Balance and Energy Accounting Department, PJSC Rosseti
Maxim M. Saukh	Head of the Corporate Governance and Shareholder Relations Department, PJSC Rosseti
Roman A. Filkin	Director, Power Engineering, Machine Building of the Representative Office of Prosperity Capital Management (Russia) Ltd
Alexander V. Shevchuk	Executive Director, Association of Institutional Investors

REPORT OF THE CHAIRMAN OF THE PERSONNEL AND REMUNERATION COMMITTEE

The Personnel and Remuneration Committee of the Board of Directors of the Company was established in April 2008. Its main goals are as follows:

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

The Committee operates in accordance with the Regulations on the Personnel and Remuneration Committee of the Board of Directors of IDGC of Centre (approved by the Board of Directors, Minutes No 17/14 dated August 1, 2014).

For details on this document, please visit the Company's website.

"The key elements of corporate culture are formation of the material incentive policy for the management bodies, assessment of candidates for administrative positions, and assessment of performance by the Company's employees and of their activities' results, which enables us to enhance the Board efficiency."

Natalia I. Erpsher – Chairman of the Personnel and Remuneration Committee

For details on the Committee Members, please visit the Company's website.

For details on the Committee resolutions, please visit the Company's website.

At present the Committee consists of

Natalia I. Erpsher, Chairman of the Committee	Head of the Organisational Development Office, HR Policy and Organisational Development Department, PJSC Rosseti
Alexander V. Shevchuk, Deputy Chairman of the Committee	Executive Director, Association of Institutional Investors
Tatyana P. Dronova	Deputy Director for Strategy and Development, JSC Investment Holding "E-Union"
Denis A. Malkov	Head of the Balance and Energy Accounting Department, PJSC Rosseti
Yury N. Mangarov	Chief Adviser, PJSC Rosseti
Yury N. Pankstyanov	Director of the Tariff Policy Department, PJSC Rosseti
Roman A. Filkin	Director, Power Engineering, Machine Building of the Representative Office of Prosperity Capital Management (Russia) Ltd

Eleven meetings were held in the reporting year. The following was performed:

- preliminary assessment of the candidates to the Board of Directors;
- recommendations to the Board on removal/election of the members of the Management Board of the Company;
- consideration of the performance results of the deputy general directors and preparation of relevant recommendations to the General Director of the Company;
- approval of the management personnel reserve and the young specialists reserve.

We gave preliminary approval of the candidates for certain positions and considered the following issues prior to discussion at the Board meeting:

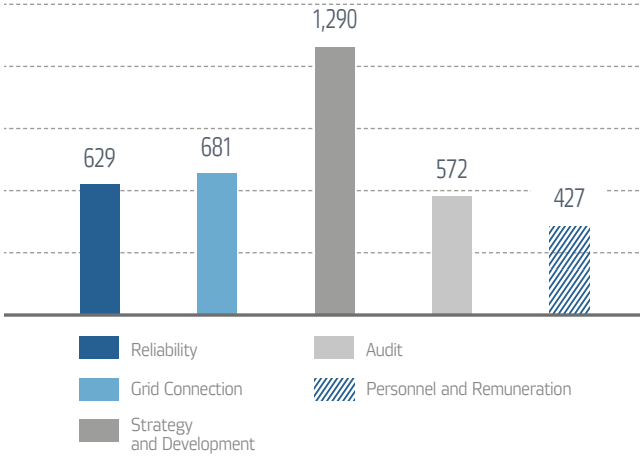
- The structure of the executive bodies;
- Methods of calculation and assessment of the key performance indicators for the General Director;
- Regulations on material incentives for the General Director, a new version of the regulations on remuneration and compensation to the Board members, a new version of the regulations on remuneration and compensation to the Audit Commission.

REMUNERATION OF THE MEMBERS OF THE COMMITTEES

In accordance with the approved policy, remuneration to the members of the Committees in 2015 was paid for participation in committee meetings. The amount of the remuneration depended on the form of the meeting:

- for participation in the joint presence meeting – 2 minimum monthly wages of the first category worker (hereinafter – minimum monthly wage);
- for off-site participation – 1 minimum monthly wage.

Remuneration paid to the Committees' members of the Board of Directors in 2015, thousand RUB



The amount of the remuneration to the Committee Chairman is double (+50%). Remuneration is not paid to members who are also members of the Management Board of the Company.

Events after the reporting date

Amendments were made to the Regulations on remunerations and compensations to the members of the committees in December 2015. Starting from 2016, remuneration to the members of the committees who are also the members of the Board of Directors of the Company will be made in the form and amount pursuant to the Regulations on remunerations and compensations to the Board members. These Directors will receive an additional allowance in the amount of:

- 10% for the Committee member,
- 20% for the Chairman of the Committee.

Remunerations and compensations to the members of Committees of the Board of Directors of IDGC of Centre are paid pursuant to the relevant regulations approved by the Board of Directors of the Company.

CORPORATE SECRETARY

The Corporate Secretary of IDGC of Centre performs the activity in accordance with the Company's Articles of Association and Regulation on the Corporate Secretary (approved by the Board of Directors, Minutes No. 26/12 dated November 2, 2012).

The Corporate Secretary of the Company has the following functions:

- to organize and hold the General Meeting of Shareholders;
- to provide for work of the Board of Directors and five committees under the Board of Directors;
- to assist the members of the Board of Directors and committees in exercising their functions;
- to organize interaction between the Company and its shareholders and others.

The Corporate Secretary is elected at the first meeting of the Board of Directors for a term until the first Board meeting after the Annual General Meeting of Shareholders. The Corporate Secretary reports to the Board of Directors of the Company.

The Corporate Secretary gives quarterly reports on execution of the Board resolutions to be considered by the Board of Directors. The quarterly reports are also discussed at the joint presence meeting.

The Corporate Secretary of the Company is Svetlana V. Lapinskaya (resolution by the Board of Directors, Minutes No 14/15 dated July 14, 2015).

Svetlana V. Lapinskaya has large experience in corporate governance; she's been working in the Corporate Service of IDGC of Centre for over 11 years, 9 of them as the Corporate Secretary.

At present Svetlana V. Lapinskaya is the Head of Corporate Events of the Company and a member of the National Association of Corporate Secretaries. She was born in 1980 and is a Russian citizen. She graduated from the State Classic Academy named after Maymonides with a law degree in 2002. Svetlana V. Lapinskaya does not own any shares of the Company nor of its subsidiaries. There have been no claims filed against her.

For details on the Regulation on the Corporate Secretary, please visit the Company's website.

GENERAL DIRECTOR

The General Director is responsible for the Company's current operations, except for the issues that are the responsibility of the General Meeting of Shareholders, the Board of Directors, and the Management Board of the Company.

The General Director reports both to the General Meeting of Shareholders (Annual Report on the financial and economic performance) and to the Board of Directors of the Company (regular reports to the Company's Board of Directors on KPI achievement by the Company, implementation of programmes and policies approved by the Company, and other issues related to the Company's current operations).

Oleg Isaev is the General Director of IDGC of Centre.

In 1992 he graduated from the USSR Military Institute as a lawyer.

2004 – the Russian Public Administration Academy under the President of the Russian Federation.

2011–2012 – professional retraining programme in Power Industry Business Management.

Doctor of Law. Author of over 35 publications in the field of law.

Over the past 5 years he held administrative positions in power industry companies.

Since December 2012 he has been the General Director and the Chairman of the Management Board of IDGC of Centre. At present he is the member of the Management Board of the Moscow Chamber of Commerce and Industry.

Oleg Isaev has state and industry awards. In 2015, by Decree of the President of the Russian Federation, he was awarded the second-class medal of the Order of Merit for the Motherland for his labour achievements, active public activity and many years of diligent work. He was awarded with a commemorative medal and certificate for significant contribution to the preparation and conducting of the XXII Olympic Winter Games and XI Paralympic Winter Games of 2014 in Sochi.

REMUNERATION TO THE GENERAL DIRECTOR

The amount of the remuneration paid to the General Director is defined by the employment contract and the Regulation on Remuneration to the General Director of IDGC of Centre approved by the Company's Board of Directors in 2011, with amendments dated December 18, 2014.

The General Director receives a salary, bonuses for achieving KPI, as well as remuneration for participation in the Management Board and the Board of Directors of the Company.

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

- based on the achievement of the Company's financial, technological and investment KPI for the quarter and for the year;
- based on the achievement of strategic priorities specified by the Board of Directors of the Company for the year.

By decision of the Board of Directors, single bonuses may be paid to the General Director for performance of tasks of special significance.

Remuneration to the General Director for participation in the Board of Directors is disclosed in "Remuneration of the Board Members" section of this Report. In 2015, the General Director received remuneration for achieving KPI for 2014 and additional bonus for 2014 strategic priority tasks. These data and information on other remuneration is shown in "Remuneration to the members of the Management Board".

MANAGEMENT BOARD

The day-to-day administration of the Company is exercised by the Management Board, which is a collective executive body. The Management Board reports to the Board of Directors and to the General Meeting of Shareholders of IDGC of Centre.

The Management Board of IDGC of Centre has been operating since April 30, 2008.

The competence of the Management Board is stipulated in the Federal Law On Joint Stock Companies, Art. 22 of the Articles of Association of the Company and the Regulations on the Management Board of IDGC of Centre (approved by the Annual General Meeting of Shareholders on June 25, 2015, Minutes No 01/11 dated June 26, 2015).

For details on this document, please visit the Company's website.

MEMBERS OF THE MANAGEMENT BOARD

In 2015, there were the following changes in the Management Board of IDGC of Centre:

- On March 26, 2015, Artem E. Kuranov was removed from the Management Board and Konstantin A. Mikhailik, First Deputy General Director of the Company, was elected into the Management Board;
- On May 28, 2015, Igor V. Maximov was removed from the Management Board and Inna V. Gromova, Deputy General Director for Personnel Management and Organisation Projecting, was elected into the Management Board.

At present the Management Board consists of 7 members. All the Board members are employees of IDGC of Centre and possess the necessary competence and experience to take balanced and competent decisions.

In 2015, the Management Board members didn't make any transactions on acquisition/disposal of shares of the Company. No claims were filed against the members of the Management Board since the Company has been in operation, including in 2015. The members of the Company's Management Board hold no positions in other companies that compete with the Company. There was no conflict of interest in 2015.

As of December 31, 2015, the Management Board of IDGC of Centre is as follows

Oleg Yu. Isaev *Board member since December 11, 2012*	Born in 1969, Russian citizen. Graduated from the Russian Public Administration Academy under the President of the Russian Federation in 2004 with a degree in State and Municipal Management; and from the USSR Military Institute with a degree in Law in 1992. In 2011–2012, he completed professional retraining programme in Power Industry Business Management. Doctor of Law. Since 2009 – Deputy Director General of JSC MOESK. Since 2011 – General Director at JSC VO Technopromexport. Since 2012 – the Chairman of the Management Board and the General Director of IDGC of Centre. In 2014, he was first elected into the Board of Directors of the Company. Since 2014 – the member of the Management Board of the Moscow Chamber of Commerce and Industry. He has state and industry awards
Inna V. Gromova *Board member since May 28, 2015*	Born in 1967, Russian citizen. She graduated from the International Institute of Economics and Law in 1997 with a Bachelor's degree, and in 2002 received qualification as a lawyer. Since 2004 she worked in senior positions at JSC VO Tekhnopromexport and JSC RAO Energy System of the East. In 2013, Inna V. Gromova became Adviser of the General Director of IDGC of Centre and was elected into the Board of Directors of OJSC Energetic / JSC Sanatorium Energetik. In July 2013, she became Deputy General Director for Personnel Management and Organisational Design of IDGC of Centre. She was awarded with internal and power industry commendations and diplomas.

As of December 31, 2015, the Management Board of IDGC of Centre is as follows (continued)

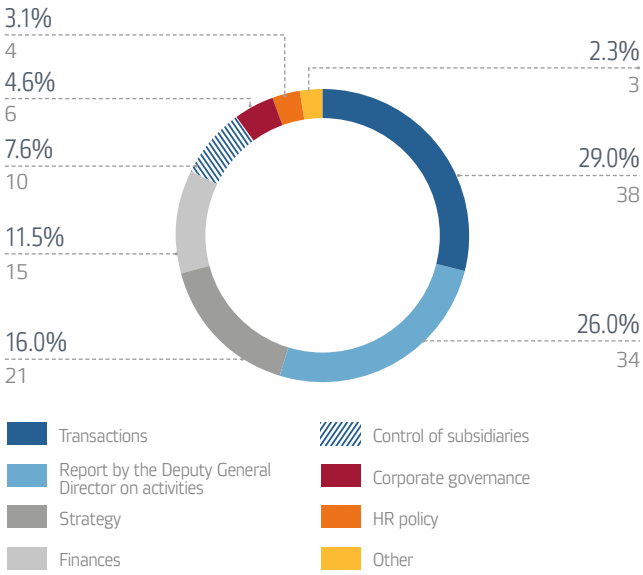
Ivan P. Kleymenov *Board member since February 15, 2010*	Born in 1960, Russian citizen. Graduated from the Volgograd Agricultural Institute with a qualification in electrical engineering in 1987, and in 1989 got a diploma in Economics. Since 2005 – Deputy Head Engineer of JSC Voronezhenergo. Since 2008 – Deputy General Director, Branch Director, IDGC of Centre, Voronezhenergo. He has power industry awards.
Konstantin A. Mikhailik *Board member since March 26, 2015*	Born in 1983, Russian citizen. Graduated from Saint–Petersburg University of the Ministry of Internal Affairs of the Russian Federation with a degree in Law in 2004, and then defended his thesis and was awarded a degree of Ph.D. in Law. In 2005 he graduated with honours from the Moscow State Institute of International Relations (University) of the Ministry of Internal Affairs of the Russian Federation with a degree in International Economy with Foreign Language Skills. He speaks Hungarian, English and German. Since 2004 – consultant to Russian investors in Hungary. 2005–2013 – Court of Auditors of the Russian Federation. From November 2013 to December 2014 he held key positions in CJSC Intercomp, where he was responsible for operational efficiency. Since 2014 – acting First Deputy General Director of IDGC of Centre. Since 2015 – First Deputy General Director of the Company. He has the power industry diplomas and commendations.
Alexander V. Pilyugin *Board member since February 17, 2014*	Born in 1968, Russian citizen. Graduated from Kursk Polytechnic Institute with a qualification in Power Engineering in 1992, and in 2006 from Kursk State Technical University with a degree in Management. 2008–2014 – Deputy General Director – Branch Director at Kurskenergo. He has been Deputy General Director and Chief Engineer of IDGC of Centre since February 2014. He has been First Deputy General Director and Chief Engineer of IDGC of Centre since November 2014. He has power industry awards. He has 146,777 ordinary shares of IDGC of Centre, or 0.00035% of the charter capital.
Sergey Yu. Rumyantsev *Board member since June 10, 2013*	Born in 1956, Russian citizen. He graduated from the Moscow Institute of Management in 1978 with a degree in Power Industry. In 2008–2013 he held key positions in JSC INTER RAO UES, with responsibility for investment and economy. Since 2013 – Deputy General Director for Economy and Finance of IDGC of Centre. He has power industry awards.
Lyudmila A. Sklyarova *Board member since October 15, 2014*	Born in 1958, Russian citizen. In 1982 she graduated from the Correspondence Institute of Soviet Trade with a degree in Commodity Science, and in 1989 – from the Karaganda Cooperative Institute with the qualification of Economist–Accountant. From 2006 to 2012 – Chief Accountant of JSC MOESK. Since 2013 – Chief Accountant – Head of the Accounting and Tax Reporting Department of IDGC of Centre. She has power industry awards.

REPORT ON THE MANAGEMENT BOARD PERFORMANCE

In 2015, 43 meetings were held and 131 issues were discussed.

In addition to the ongoing management of the Company, a significant number of the questions discussed in 2015 are recommendations to the Board of Directors on certain issues, in particular recommendations on determining the price (monetary valuation) of services, on acquired or alienated property according to the agreements signed by the Company, on priority activities of the Company, review of the quarterly reports by Deputy General Directors, as well as issues related to the management of the Company's subsidiaries.

Structure of issues discussed by the Management Board



Activity of the Management Board members at the meetings in 2015

Full Name of the Management Board Member	Number of meetings	
	the member could participate in	the member participated in
Oleg Yu. Isaev	43	35
Alexander V. Pilyugin	43	42
Inna V. Gromova	23	22
Ivan P. Kleymenov	43	42
Artem E. Kuranov	12	0
Igor V. Maximov	20	14
Konstantin A. Mikhailik	31	29
Sergey Yu. Rumyantsev	43	40
Lyudmila A. Sklyarova	43	39

REMUNERATION TO THE MEMBERS OF THE MANAGEMENT BOARD

All members of the Management Board of IDGC of Centre are employees of the Company holding key positions and have additional responsibilities besides their employment contracts that pertain to the members of the collective executive body of the Company, which is the Management Board.

The Members of the Management Board receive a monthly remuneration of RUB 15,800 under additional agreements to their employment contracts.

In accordance with the Regulation on the Incentives and Social Benefits for senior managers of IDGC of Centre approved by the Company's Board of Directors, members of the Management Board are considered to be senior managers.

Senior managers receive bonuses based on the achievement of key performance indicators and the level of such achievement for the reporting period (quarter or year). These key performance indicators are based on the KPI approved by the Company's Board of Directors for the General Director.

For the list of the KPI of the Company for 2015 and their objective values, please see page 35 of this Annual Report.

Amount of remuneration to the Management Board members in 2015

Type of remuneration	Amount of remuneration, RUB thousand (personal income tax included)
Remuneration for participation in the Management Board	924
Salary	60,093
Bonuses	95,485
Total	156,502

In 2015, the members to the Company's Management Board received remuneration for achieving the 2014 KPI alongside with an additional bonus. Compensation of expenses for performing functions of the Board member was not paid.

The total remuneration of the Board members includes the remuneration of the General Director – Chairman of the Board, with the exception of his remuneration for participation in the Board of Directors. This amount is given as part of the information on remuneration of the members of the Board of Directors of the Company.

The Management Board members have neither shares of the Company nor of its subsidiaries, except Alexander V. Pilyugin whose share in the charter capital of the Company is 0.00035% (146,777 ordinary shares).

CONTROL

INTERNAL AND RISK MANAGEMENT SYSTEM

The Board of Directors of the Company approved the Internal Control Policy (ICP) (Minutes dated 22.08.2014 No. 18/14). The Policy defines the goals, principles and elements of the internal control system (ICS), main functions and responsibility of its participants and procedure of evaluation of its efficiency.

ICS covers all areas of activities of the Company. Control procedures are performed permanently in all processes at all management levels and are aimed at ensuring reasonable guarantees of achievement of goals in the following focus areas:

- Efficiency and productivity of the Company's activities, preservation of the Company's assets;
- Compliance with applicable requirements of the laws and local normative documents of the Company, including when performing the facts of business activities and accounting;
- Assurance of reliable and timely accounting (financial) and other reporting.

The participants of the internal control system are the Board of Directors, Audit Commission, executive bodies and all employees of IDGC of Centre. Risk management is performed by managers and employees at all levels of the Company and includes identification and assessment of risks, their ranking and risk management for ensuring reasonable guarantees of achievement of the Company's strategic and operational goals.

The Company implemented the following key activities for improvement of ICS in the reporting year:

- The risk and control procedure matrices were developed and approved for 7 business processes and business services. As of December 31, 2015, 16 risk and control procedure matrices of business processes/business services were approved.
- Amendments were made in the Articles of Association of the Company with respect to the competence of the Board of Directors of IDGC of Centre, PJSC to determine the principles and approaches to arrangement of the risk management and internal control system, assessment of the key operating risks and determination of the acceptable risk for the Company, control and arrangement of activities of internal audit unit and others.
- The risk management system and business planning system were inter-linked through the additional format of the business plan "Information about Key Operating Risks of the Company" and the respective section of the Executive Summary.

The implementation of ICS improvement efforts in 2015 resulted in improvement of the ICS maturity level from "moderate" in 2014 to the intermediate level of maturity between "moderate" and "optimal" in 2015.

2016 PLANS

THE FOLLOWING ACTION ITEMS ARE PLANNED FOR IMPROVEMENT OF ICS IN 2016:

Approval and introduction of amended Internal Audit Policy, Internal Control Policy and Risk Management Policy.	Development and approval of risk and control procedure matrices for non-covered business processes and business services.	Fulfilment of provisions of Instruction "Internal Audits in IDGC of Centre, PJSC" RK BP 1/05-01/2016 (approved by Resolution dated January 27, 2016, No. TsA/18/6-r).	Fulfilment of provisions of Guideline "Evaluation of Efficiency of Internal Control and Risk Management System in IDGC of Centre, PJSC", MI BP 1/05-01/2016 (approved by Resolution dated January 29, 2016 No. TsA/18/7-r).

INTERNAL AUDIT

The Internal Audit and Control Department is responsible for implementation of the functions of internal audit in the Company. The department is controlled and coordinated by the Board of Directors.

The goals, principles, functions and authority of internal audit are defined in the Internal Audit Policy of IDGC of Centre approved by the Resolution of the Board of Directors (Minutes of meeting dated August 20, 2014 No.18/14).

Additionally, the internal audit function is regulated by the following documents:

- Regulation on Internal Audit and Control Department;
- Template and structure of the internal audit work plan fulfillment and performance report;
- Guideline "Development and Application of Uniform Classifier of Violations and Flaws".

The Internal Audit and Control Department performed 42 audits in the reporting year.

A total of 577 corrective actions were prescribed in 2015 for elimination and prevention of subsequent violations and flaws identified by the internal audit based on the results of the audits performed by the internal audit unit.

A total of 378 action items were delivered out of 378 action items which were supposed to be performed in the reporting year.

Delivery of corrective actions is controlled by the Audit Committee of the Board of Directors.

AUDIT COMMISSION

The financial and business activities of the Company are controlled by the Audit Commission, which is elected by the General Meeting of Shareholders until the next annual General Meeting of Shareholders, and acts based on the Federal Law "On Joint-Stock Companies" Art. 24 of the Articles of Association of the Company and Regulation on the Audit Commission.

Tasks of the Audit Commission:

- Control over financial and business activities of the Company;
- Independent evaluation of the reliability of data contained in the annual report of the Company, annual accounting statements.

MEMBERS OF THE AUDIT COMMISSION

The current members of the Audit Commission were elected by the General Meeting of Shareholders on June 25, 2015. The Audit Commission is composed of five persons who are the members of management bodies or employees of the Company, which ensures objectivity and independence of their opinions.

The Annual General Meeting of Shareholders approved the new version of Regulation on the Audit Commission in 2015.

The document is available on the Company's website.

Information about the members of the Audit Commission is provided as of December 31, 2015

Svetlana Anatolievna Kim Chairman of the Audit Commission *First time elected to the Audit Commission on June 25, 2015*	Born in 1981, she is a Russian Federation citizen. In 2004 Svetlana graduated from Moscow State University of Railway Engineering majoring in Commerce. Since 2013 Svetlana has managed the Audit Activities Division of Control and Audit Activities Department of PJSC Rosseti. In 2008 – 2013 she held the position of the head of investment control function of the Control and Audit Department of OJSC FGC UES.
Tatyana Viktorovna Zaytseva *First time elected to the Audit Commission on June 25, 2015*	Born in 1969, she is a Russian Federation citizen. In 1991 she graduated from Novosibirsk Institute of National Economy qualified as Accountant of an Industrial Enterprise. Before 2012 – Head of the Internal Audit Service of Oil Company Magma. In 2012 – 2014 she managed the Internal Audit Service of OJSC Electrosetservice ENES. In 2014–2015 Tatyana Zaytseva worked in PJSC Rosseti and held the positions of Deputy Head of the Control and Risk Division of Control Activities Department, Chief Expert of the Methodology Section of Control and Risks Division of Internal Audit and Control Department.
Sergey Vladimirovich Malyshev *First time elected to the Audit Commission on June 26, 2014*	Born in 1965, he is a Russian Federation citizen. In 1986 he graduated from Yaroslavl Higher Military Financial School qualified as Economist–Financier. Since 2013 he holds the position of Lead Expert of the Audit Activities Division of the Control and Audit Activities Department of PJSC Rosseti. Before that he worked in the Control and Audit Department of OJSC FGC UES, the Capital Construction Department of Gazpromneft–Aero, and Lead Consultant of Financial Inspection of the Ministry of Defense of the Russian Federation.
Oksana Alekseevna Medvedeva *First time elected to the Audit Commission on June 25, 2015*	Born in 1978, she is a citizen of the Russian Federation. She graduated from the branch of the Russian Academy of Entrepreneurship in Magadan majoring in Accounting, Analysis and Audit. In 2010–2011 she managed Internal Audit Section of LLC Baikal Service TK. In 2011–2014 she held the position of the Head of Section of the Control and Audit Department of OJSC FGC UES. Since 2014 she has been a Chief Expert of the Audit Activities Division of the Control and Audit Activities Department, Head of the General Audit Section of Revision and Internal Audit Division of Internal Audit and Control Department of PJSC Rosseti.
Sergey Ivanovich Ochikov *First time elected to the Audit Commission on June 26, 2014*	Born in 1983, citizen of Russia. In 2004 he graduated from Krasnoyarsk State Technical University majoring in Power Plants and Substations. In 2007 he graduated from Siberian Federal University with a major in Economics and Management in Power Companies. Since 2009 he has been working in power companies as an expert in internal audit and risk management. Since 2013 Sergey Ochikov has been working in PJSC Rosseti, holding the position of Lead Expert of General Audit and Revision Section of Revision Activity and Internal Audit Division of Internal Audit and Control Department. Currently he is Chief Expert of the Internal Audit Directorate of PJSC Rosseti.

Members of the Audit Commission of IDGC of Centre do not hold shares of the Company and its subsidiaries and they did not commit any transactions for purchase or disposal of shares in 2015.

MEETINGS OF THE AUDIT COMMISSION

Six meetings of the Audit Commission of the Company were held in 2015 to review the approval of the work plan of the Audit Commission, election of the chairman and secretary of the Commission and items directly related to the audits.

The Audit Commission held one scheduled audit of 2014 financial and business activities of IDGC of Centre in the reporting year, and issued a positive conclusion based on this audit.

The resolutions of the Audit Commission of the Company are published on the Company's website.

REMUNERATION OF THE MEMBERS OF THE AUDIT COMMISSION

Before June 25, 2015, the remuneration to the members of the Audit Commission was paid in accordance with the Regulation on remuneration and compensation to the members of the Audit Commission of the Company. In accordance with the Regulation, the remuneration in the amount of 25 MMTR was paid to the members of the Audit Commission for participation in the audit of financial and business activities. The remuneration to the Chairman of the Audit Commission is paid with a coefficient of 1.5.

The new version of Regulation on the payment of remuneration and compensation to the Audit Commission was enacted on June 25, 2015. In accordance with this Regulation, the base remuneration for a member of the Audit Commission is determined based on the Company revenue calculated according to RAS for the financial year. The maximum amount of the base remuneration is set at the amount of RUB 150 thou. The coefficient of personal participation of a member of the Audit Commission is applied to the base remuneration. Also, the calculation takes into account the period during which the duties of a member of the Audit Commission were performed. The remuneration of the Chairman of the Audit Commission can be increased by 30%.

The Company paid RUB 558 thou. to members of the Audit Commission in 2015 for audits of financial and business activities. In addition, experts were hired to work in the Audit Commission in the reporting year and they received remuneration in the amount of RUB 319 thou. Payment was made in accordance with terms and conditions of contracts approved by the Board of Directors of IDGC of Centre, PJSC (Minutes dated July 27, 2015 No. 15/15).

Please, see this document on the website.

AUDITOR

The audit of 2015 accounting statements of IDGC of Centre according to RAS and 2015 IFRS consolidated financial statements was performed by independent auditor RSM RUS Ltd.

RSM RUS Ltd. was approved as an auditor on June 25, 2015, at the annual General Meeting of Shareholders of the Company.

The auditor is selected based on results of the competitive tender and is proposed by the Audit Committee. Subsequently the auditor passed preliminary approval of the Board of Directors of the Company.

The external auditor is selected based on the open tender procedure, which ensures independence and objectivity of the auditor. The tender was performed using the electronic trading platform www.b2b-energo.ru. The tender criteria were defined in advance and stated in the tender conditions.

The amount of payment for the auditor services is determined by the Board of Directors of IDGC of Centre, PJSC in the amount of RUB 2.9 mln, with VAT. This amount includes the payment for the audit of both 2015 RAS statements and 2015 IFRS statements.

Detailed information about the auditor is provided on the Company's website.

CORRUPTION COUNTERACTION

Anti-corruption activities in IDGC of Centre, PJSC are performed in accordance with the best Russian and international standards. As confirmation of this fact, IDGC of Centre, PJSC joined the Anti-Corruption Charter of Russian Business in 2015.

Corruption counteraction is performed in accordance with Anti-Corruption Policy of IDGC of Centre, PJSC, approved by the Board of Directors on December 30, 2014.

The following measures were taken by the Company in 2015 for implementation of anti-corruption policy:

- Commission for Corporate Ethics Compliance and Settlement of Conflict of Interest of IDGC of Centre, PJSC was set up. The goal of this commission is the settlement of conflicts of interest, pre-conflict situations and other corrupt practices in the Company.
- Agreements on compliance with requirements of the Anti-Corruption Policy were signed by all employees. All Company employees are notified about available counter-corruption policies and methods.
- The employees' interest declaration was carried out to prevent the conflict of interests.
- Audits of the owners of the counterparties of IDGC of Centre, PJSC were performed for verification of reliability of information provided about legal entities and individuals, to correct the completion of the information disclosure forms and completeness of information disclosure.
- The anti-corruption expert examination of the documentation is performed as part of procurement activities for checking the affiliation and conflict of interest between counterparties (ultimate beneficiaries) and employees of IDGC of Centre, PJSC.
- The Guideline "Notification by employees of IDGC of Centre, PJSC about the receipt of a gift in connection with their position or their job duties performance, a submission of the gift, appraisal, disposal (buyback) and crediting of the proceeds from its disposal" was approved.
- The Guideline "Procedure for acceptance, review and settlement of claims from applicants (employees, counterparties of IDGC of Centre, PJSC and other individuals and legal entities) about possible facts of corruption" was enacted.
- The Guideline (regulation) "On the settlement of conflicts of interests of IDGC of Centre, PJSC, the Commission for Corporate Ethics Compliance and Settlement of Conflict of Interest of IDGC of Centre, PJSC" was approved.

Starting from September 2015, an anti-corruption clause is included in all signed contracts. The work on anti-corruption monitoring of the adequacy of efficiency of anti-corruption policy measures, for forming the consistent understanding of shareholders, the investment community, counterparties, management bodies, and employees about the intolerance of the Company to corruption in any forms is conducted on a permanent basis.

The Hot Line of IDGC of Centre, for calls with information about possible corruption cases and violation of the Corporate ethics continued operation in the Company in 2015.

Hot Line: +7 (495) 747-92-99, doverie@mrsk-1.ru**.**

No cases of corruption of employees of IDGC of Centre, PJSC were found in 2014–2015.

The current version of the document is published on the Company's website.

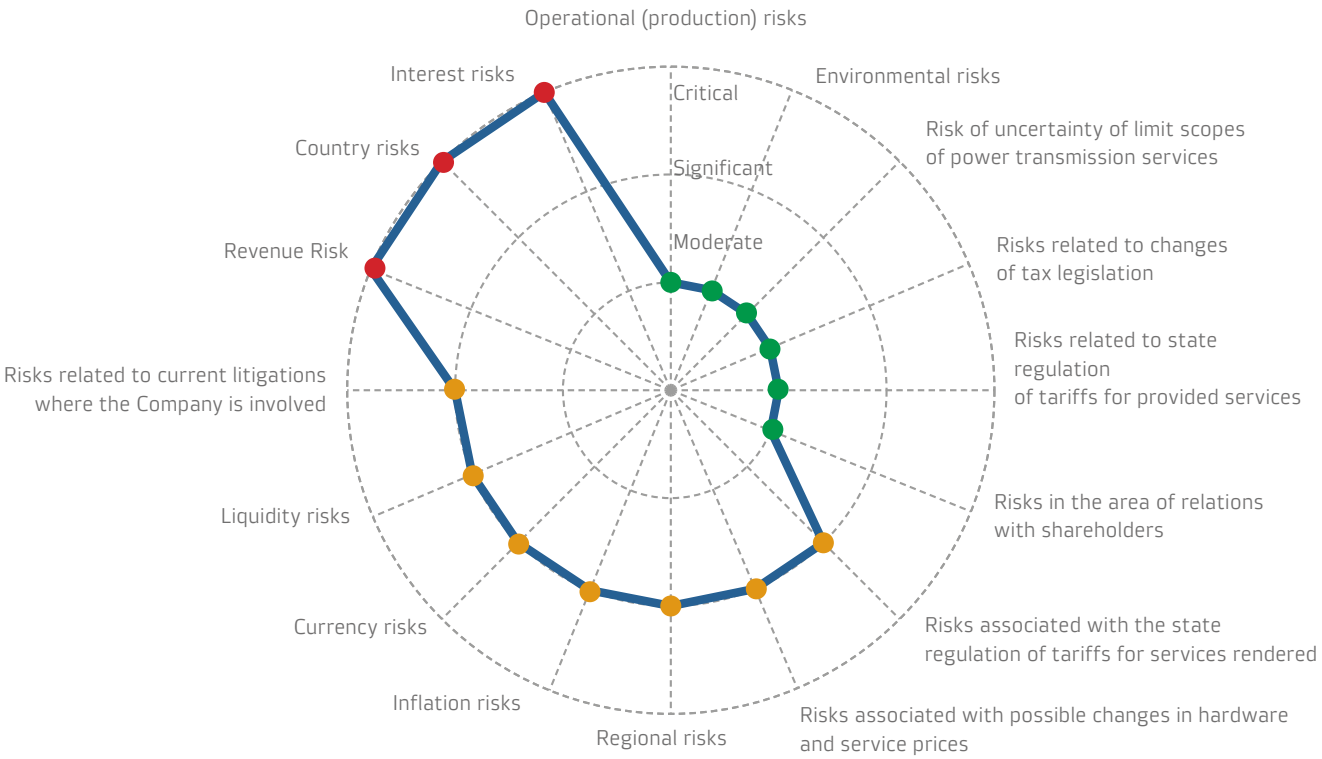
RISK MANAGEMENT

Risks arising during financial and business activities are managed by the Company in accordance with the Risk Management Policy (minutes of meeting of the Board of Directors dated 22.08.2014 No. 18/14).

The risk map of IDGC of Centre indicating the level of significance of the risk which is a combination of the probability of risk and consequences for the Company in monetary and other terms and the dynamics of the significance of the risk in comparison with 2014 and during 2015 is provided below.

This document is available on the Company's website.

ASSESSMENT OF THE SIGNIFICANCE OF RISKS OF IDGC OF CENTRE



Level of risk significance

Critical | Significant | Moderate

Risk significance trends

↑ Risk significance growth | ↓ Risk significance decrease

The number of risk name, rating the significance of the risks and trends	Risk description	Actions to minimise the consequences of the risk
Sector risks		
1 ↓ Operational (production) risks	Risks related to insufficient financing of the repair and maintenance programme and investment programme, physical wear, violation of the operating conditions and critical change of operational parameters of power grid equipment which can result in the failure (accidents) of electric equipment and failure of structures.	For minimisation of consequences of operational risks all main operational facilities of the Company are insured. Additionally, there is a number of measures for ensuring the reliability of equipment and structures at the proper level: ● Operational assets control system is introduced and operated. It should optimise the operation, maintenance and repair processes and streamline the investment activities. ● The upgrade of the power generation facilities is performed based on introduction of the innovational power equipment for reduction of the level of wear. ● A long-term target reliability programme is developed and implemented to ensure systematic reliability. ● Tender selection of service providers and suppliers is performed for improvement of the quality of provided services and materials, responsibility of contractors and for reduction of unit costs. Management of risks related to compliance with industrial safety requirements of the Company is ensured by compliance with the Federal legislation in the field of industrial safety and the system of operation control of the compliance with industrial safety requirements.
2 ↓ Risks related to state regulation of the tariffs for provided services	Transmission of power by distribution grids and connection to power grids are activities regulated by the state.	The following measures are taken for the minimisation of risks: ● 1. The work is conducted with tariff regulation authorities of the subjects of the Russian Federation, the Ministry of Energy of the Russian Federation for ensuring compensation of "shortfall in income" of power grid companies due to implementation of Federal Law No.308-FZ through additional increase of tariffs above the forecast of the Ministry of Economic Development for other customers and subsidies from the federal budget. ● 2. Work is conducted on a permanent basis to justify the costs included in the tariffs including economically reasonable costs incurred above the level taken into account in the tariffs and short-received revenue of past periods caused by the reasons which do not depend on the Company. ● 3. Systematic work is conducted for reduction of costs and Optimisation of investment programme. ● 4. Jointly with PJSC Rosseti the activities are implemented for amendment of the applicable legislation of the Russian Federation in the pricing for the services of natural monopolies to take into account the interests of distribution grid companies when setting the tariffs in the retail market.

The number of risk name, rating the significance of the risks and trends	Risk description	Actions to minimise the consequences of the risk
3 Environmental risks	Environmental risks comprise possible harmful emissions from stationary units and transport systems. Environmental risks can be also expressed in the probability of leaks of transformer oil at substations in case of absence of oil receptacles with surface wastewater flowing into rivers and lakes which can result in the contamination of fishing water bodies by oil products.	• The tool for mitigation of environmental risks is the Environmental Policy of IDGC of Centre, PJSC approved by the Board of Directors. The aim of this policy is the improvement of the level of environmental safety through environmentally safe transport and distribution of power, integrated approach to the use of natural energy resources. • The implementation of environmental policy implies strong focus on the management of waste of different hazard category which significantly reduces the risk of adverse impact of toxic substances on the soil and consequently on the human health. • The reduction of the environmental risks in IDGC of Centre, PJSC is facilitated by a long-term programme of replacement of 6–10 kV oil circuit breakers by vacuum ones and installation of reclosers, which reduced the process turnover of the dielectric oil and prevents release of such oil in the environment saving the used oil disposal costs. • During implementation of the activities of the long-term upgrading and reconstruction programme, the Company replaces the components and parts of the power equipment parts by modern components and parts which ensure high environmental safety of operations.
4 Risks of deficiency of income related to payment discipline of utility companies or a decrease of power consumption	The probability of an increase of receivables due to: • Violation of payment discipline by end consumers of electric power and necessity of additional credit resources. In this situation there is a risk of deficiency of cash on the accounts of the Company due to temporary cash gaps between the receipt of the cash from utility companies and necessity of financing of the current operations. • Violation of the payment discipline by utility companies due to "improper" use of cash, i.e. despite the fact that end consumers fulfilled their payment obligations to the utility companies the cash is not transferred to the accounts of the Company by the utility companies. The realisation of this risk will result in the necessity of additional borrowing on the refundable basis for performance of the obligations of the Company which leads to the deterioration of the financial indicators of the Company	• For reduction of the risk probability and mitigation of their consequences the management conducts balanced credit policy, receivables management policy aimed at the optimisation of receivable and debt collection. • The Company also conducts claim administration work for recovery of overdue receivables, implements the policy of signing of direct agreements with electricity consumers.

The number of risk name, rating the significance of the risks and trends	Risk description	Actions to minimise the consequences of the risk
5 The risk of uncertainty of power transmission services limits	The risk is related to the following circumstances: ● absence of up-to-date plans of economic development indicating the growth of power consumption over certain period in the some subjects of the Russian Federation and municipal entities; ● probability of overall reduction of the power consumption of the Russian economy with the adoption of Federal Law "On Energy Saving and Improvement of the Energy Efficiency and Amendment of Certain Legal Acts of the Russian Federation" dated November 23,2009 No. 261-FZ, commissioning of own generation facilities and units and introduction of social norm of consumption; ● reduction of consumption of electricity in the Russian economy in case of economic recession/ crisis; ● reduction of power consumption due to recession in the sales of markets of major industrial consumers; ● decrease of the number of new grid connections or delayed performance of signed contracts; ● reduction of the actual capacity of consumers due to change of the consumption load with a day (shifting of the load to the night hours without reduction of the consumption volume).	This risk is minimised by the following measures: ● work with government authorities in the field of tariff regulation for development of the consolidated forecast balance of production and consumption of electric power and capacity in the regions of presence of the Company; ● diversification of the portfolio of services of the Company.
6 Risks related to possible change of prices for accessories and services used by IDGC of Centre, PJSC in its activities (separately in the domestic and foreign market), their impact on the activities of the Company and fulfilment of security obligations	In the course of operations, the risks of an increase of prices for accessories, equipment and other materials arise. These risks are mainly attributable to inflation.	The Company implements the following measures for minimisation of the probability of this risk: ● Improvement of operating efficiency based on the operational expenses reduction programme (creation of competitive environment in the work and services procurement sphere, optimisation of repair and maintenance and capital construction costs, etc.); ● Centralisation of the procurement activities ("economy of scale" during organisation of procurement procedures); ● Increase of the share of procured Russian-made equipment and accessories (reduction of the dependence on the currency fluctuations).

The number of risk name, rating the significance of the risks and trends	Risk description	Actions to minimise the consequences of the risk
Country and regional risks		
7 Country risks	• Financial problems or exacerbated perception of the risks of investments in the emerging markets reduced the amount of foreign investments in Russia, caused outflow of the foreign capital and had a negative impact on the Russian economy. Additionally, the Russian economy is especially vulnerable to the fluctuations of the global prices for natural gas and oil. Also there is a problem of transit of Russian gas to Europe across Ukraine. The growth of prices for consumer products in Russia remains to be a problem. The high key rate of the Central Bank of the Russian Federation significantly increase the cost of borrowing. All these events can limit the access of the issue to capital, and have an adverse effect on the purchasing power of the product consumers. Currently, the Government of the Russian Federation pursues the policy of containment of the tariffs products and services of natural monopolies which can result in underfinancing of the investment programme of the Company. • Additionally, in the mid-term, changes of the legal framework are expected with respect to the measures for resolution of the problem of cross-subsidisation in power generation. • Currently, the sovereign debt rating of the Russian Federation was downgraded due to the current economic situation to BBB- (in national currency, Standard & Poor's) with negative outlook, BBB- (Fitch) with negative outlook and Ba1 (Moody's) with negative outlook.	To minimise the named risks IDGC of Centre, PJSC conducts work for reduction of the internal expenses and optimisation of the investment programme, conducts balanced borrowing policy. The political risks are not controlled by the Company due to their scale, but for their minimisation the Company conducts active work with higher-level and regulating authorities in the common interests of the development of the industry.
8 Regional risks	IDGC of Centre, PJSC is mainly exposed to the following regional risks: • Refusal of authorised government tariff regulators to include in the tariffs part of economically justified costs declared by the Company; • Reduction of power consumption by major industrial companies in the regions.	For mitigation of the impact of the regional risks on the investment programme the Company interacts with state authorities and other stakeholders to monitor and control the choices of the stakeholders with respect to their actions in connection with the investment projects of the Company. The Company also implements measures for optimisation of the financing of investment programme through reduction of the internal costs.
Financial risks		
9 ↓ Inflation risks	Negative impact of inflation on financial and economic performance of the Company can be related to the losses of the real value of the receivables, increase of payable borrowing interests, increase of the cost of construction of investment programme facilities, cost of materials, and third party services required for operation activities. In 2015 the consumer price index in average amounted to 15.55% in comparison with 7.8% in 2014. The growth of inflation can result in the unplanned increase of the OPEX of the Company.	For reduction of the inflation risk, the Company pursues the policy aimed at optimisation of OPEX in accordance with the Efficiency Management Programme and signing of long-term contracts with suppliers and contractors. As a result of measures taken as part of implementation of Efficiency Management Programme of IDGC of Centre, PJSC in 2015 the controllable expenses were reduced by RUB 3.444 mln or by 20.76% of the 2012 level.

The number of risk name, rating the significance of the risks and trends	Risk description	Actions to minimise the consequences of the risk
10 Currency risks	Adverse variation of foreign currency exchange rates can affect the operating and investment efficiency of the Company	Currency risks do not significantly affect the Company because all settlements with counterparties are made only in the currency of the Russian Federation. Nevertheless, taking into account the fact that products and equipment purchased by the Company contain imported parts, the significant increase of the foreign currency exchange rate can result in growth of the cost of the purchased products. For this reason the Company pursues policy aimed at the import substitution and signing of long-term contracts which do not imply increase of prices for purchased products.
11 Interest risks	The change of the key interest rate by the Central Bank of Russia reflects the macroeconomic situation in the economy and affects the cost of borrowing. An increase of the rates of loans can result in the unplanned increase of the debt repayment costs of the Company.	For reduction of the interest risk the Company pursues a balanced borrowing policy aimed at optimisation of the structure of loan portfolio and minimisation of the debt repayment costs.
12 Liquidity risk	The business of the Company is exposed to risk factors which can result in the weakening of the liquidity and financial stability of the Company. The most significant factors are cross-subsidisation of groups of consumers and low payment discipline in the retail electricity market. ● The amount of cross-subsidisation increased due to the tariff policy of the Government aimed at containment of the tariff growth for population. Major consumers with "Last Mile" agreements account for the most significant part of cross-subsidisation. Signing of direct contracts between major industrial consumers and PJSC FSK EESFGC UES leads to a shortfall in income of the Company. ● Law payment discipline of the counterparties of the issue results in the accumulation of significant amount of receivables including overdue receivables. The main factors affecting payment discipline were disputes regarding the declared capacity during settlements with energy utility companies and improper use of cash for supplied electricity by energy utility companies deprived of the status of guaranteeing suppliers. As a result of the realisation of the named risk factors the Company may be unable to fulfil financial and other constraining conditions specified in the loan agreements.	For minimisation of this risk factor the Company monitors the structure of the capital and determines the optimum parameters of borrowing and takes measures for optimisation of the structure of the working capital.

The number of risk name, rating the significance of the risks and trends	Risk description	Actions to minimise the consequences of the risk
Legal risks		
13 Risks related to the change of the tax legislation	• Regulations governing the tax legal relations often contain unclear wording or use the terms which do not have specific legal definition. The official explanation of the tax legislation by the Ministry of Finance of the Russian Federation and Federal Tax Service of the Russian Federation are not always complete. • Development of the rules and mechanisms of preparation and submission of tax accounting pertains to the competence of the tax authorities which are entitled to charge additional tax and fee amounts, to charge penalties, to impose significant fines, and therefore the tax risks increase significantly. The Company fully complies with tax legislation applicable to its business.	In case of amendment of the applicable taxation procedure and conditions, the Company will plan its financial and business activities taking into account these changes.
14 Risks of challenging of major transactions and related party transactions by shareholders	Major transaction and related-party transactions without proper approval of the Board of Directors or General Meeting of Shareholders and approval of such transactions with violation of established procedure.	For minimisation of this risk the conclusion of work agreements includes mandatory preliminary legal analysis of the executed transactions to determine the presence of the grounds for corporate procedures envisaged by the applicable legislation and/or the Articles of Association of the Company. If necessary, the respective transactions are submitted to review of the competent management bodies of the Company.
15 Shareholder relations risks	This risk implies the possibility of corporate blackmailing by shareholders and actions committed by hostile shareholders for interruption of the general shareholder meetings in the future.	For minimisation of this risk, the professional registrar Reestr-RN Ltd. keeps the shareholder register. The Company implements a number of measures for information interaction with shareholders and full respect of their legitimate rights and interests: disclosure of information in accordance with procedure stipulated by the normative legal acts, regular meetings of the management of the companies with shareholders for explanation of the matters related to the current operations, compliance with corporate procedures and internal documents.
Risks related to the activities of the Company		
16 Risks related to the current legal procedures where the Company is involved	In 2013 a number of energy sales companies operating in the regions of presence of IDGC of Centre, PJSC and using the services of the Company were deprived of the status of guaranteeing supplier. Due to insolvency the insolvency (bankruptcy) proceedings were initiated against the said organisations upon the applications of the lenders and the debtors.	As part of such proceedings IDGC of Centre, PJSC claimed to include the debt of the energy sales company to the Company in the creditor's list. However, the full satisfaction of the claims of the Company as part of the bankruptcy procedure using the bankruptcy assets is unlikely.

SECURITIES

SHARE

SHARE CAPITAL

As of December 31, 2015, the authorized capital of IDGC of Centre, PJSC amounts to RUB 4,221,794,146.80 and is split into 42,217,941,468 ordinary nominal shares with par value of 10 kopecks. Privileged shares were not issued.

4,221,794,146.80 RUB
is the authorised capital of IDGC of Centre as of December 31, 2015

SECURITIES	Identification number	Date of state registration of the issue	Nominal value, RUB	Quantity, pcs.
Ordinary nominal shares	1–01–10214–A	24.03.2005	0.1	42 217,941,468

Number of authorised shares – 258,532 ordinary nominal shares with par value of 10 kopecks. The authorised shares formed the course of reorganisation of the Company in 2008 in the form of its merger with regional grid companies as a difference between the number of authorised and placed shares. IDGC of Centre, PJSC does not have any cross-held shares. The company does not own any shares either.

258,532 ordinary registered shares
is the number of authorised shares

STRUCTURE OF SHARE CAPITAL

There are 16,442 persons registered in the register of shareholders as of May 20, 2015 - the last date of compiling the list of persons entitled to participate in the Annual General Meeting of Shareholders. The largest shareholders are PJSC Rosseti with 50.23% and Genhold Limited with 15.0% in the authorised capital.

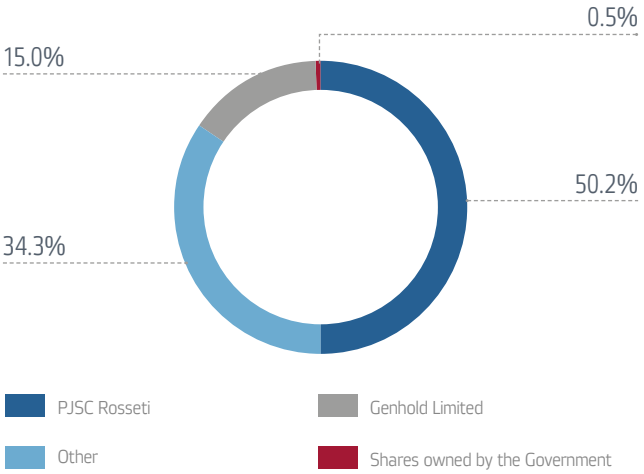
Prosperity Capital Management Limited indirectly with other companies is indirectly entitled to dispose of 21.21% of shares of IDGC of Centre, PJSC.

14,228 persons are registered in the register of shareholders as of December 31, 2015. The largest nominal holders are DCT Ltd. (50.23%) and NSD (44.4%).

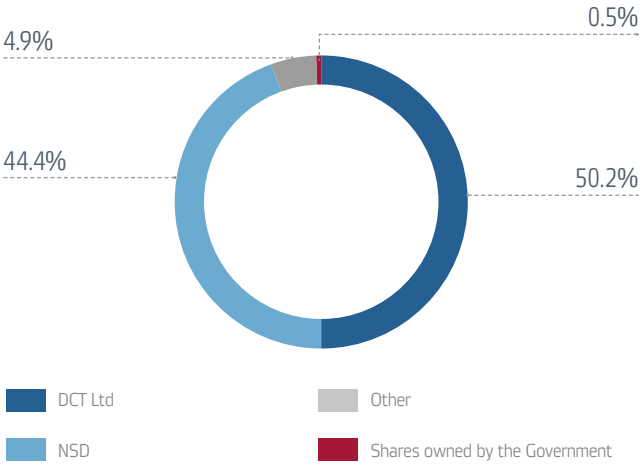
The Government share in the authorised capital is 0.46%.

Information on the acquisition of the right to indirectly dispose of shares of IDGC of Centre is available on the Company's website.

Major shareholders of IDGC of Centre, PJSC as of 20.05.2014



Major shareholders as of 31.12.2015



IDGC of Centre, PJSC has no information about the existence of ownership percentage of shares exceeding five per cent, besides those already disclosed by the Company.

The Company has no information on possible acquisitions or the acquisition by certain shareholders of the degree of control disproportionate to their participation in the authorised capital of the Company, including on the basis of shareholder agreements.

The Company does not have treasury and quasi-treasury shares.

The structure of share capital as of December 31, 2015 and the last record date

Holder type	Structure of share capital as of December 31, 2014	Structure of share capital as of May 20, 2015 (the last record date)	Structure of share capital as of December 31, 2015
Owners – individuals	3.9	5.8	4.0
Owners – legal entities	1.1	87.3	1.1
Nominal holders	94.8	0.3	94.9
Trustees	0.2	6.6	0.0
Total:		100	100
Residents of the Russian Federation	99.9	66.0	99.9
Non-residents of the Russian Federation	0.1	34.0	0.1
Total:	100	100	100

REGISTRAR

The register of shareholders of IDGC of Centre, PJSC is kept by the independent registrar "Reestr-RN" Ltd. "Reestr-RN" Ltd is one of the top ten registrars and consistently takes high positions in the PARTAD registrar rating. The work of "Reestr-RN" Ltd is based on well-proven and reliable technologies enabling ensuring maximum respect of the title and rights of the shareholders. The registrar is not affiliated with the Company.

Shareholders and their representatives with regards to changes in the register of shareholders and obtaining information from the register of shareholders can also apply to the branches of the registrar and branches of IDGC of Centre, PJSC, where authorised employees perform some of the functions of the registrar.

All information about the registrar and its work procedures is published on the website.

The full list and contact information is published on the corporate website of the Company:

The Company staff jointly with the registrar regularly take measures for updating the outdated information about shareholders whose share rights are recorded in the register.

STOCK MARKET

Ordinary shares of IDGC of Centre, PJSC started to be traded on the MICEX (Moscow Exchange Group) in 2008. As of December 31, 2015 the shares are listed in the Moscow Exchange's First (top) Tier quotation list.

The shares are included into the calculation basis of the Moscow Exchange Second-Tier Index Interbank Stock Exchange (MICEX SC) and Sectoral Electric Utilities Index (MICEX PWR). In 2015 the shares were included in the calculation of the new index - Moscow Exchange Regulated Company Index (MOEX RCI).

According to the opinion of the Index Committee of the Moscow Exchange, the free float of shares of IDGC of Centre is 34%.

Share price and capitalisation as of 30.12.2015	
Share price (close), RUB	0.1951
Share price (close), USD	0.0027
Share price (weighted average), RUB	0.1950
Share price (weighted average), USD	0.0027
Capitalisation (based on weighted average), RUB mln	8,232.5
Capitalisation (based on weighted average), USD mln	113.5

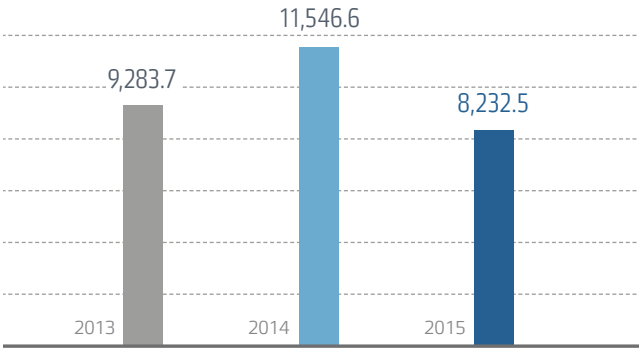
Tickers and indices	
Exchange and trading system identification codes (main)	ISIN: RU000A0JPPL8 Moscow Exchange: MRKC; Bloomberg: MRKC RX; Reuters: MRKC.MM
Stock exchange indices, Moscow Exchange	MICEX PWR (share weight 2.16%); MICEX SC (share weight 2.02%); MOEX RCI (share weight 1.66%).
Quotation lists, Moscow Exchange	List B – 08.04.2009 – 15.08.2011; List A2 – 16.08.2011 – 19.10.2012; List A1 22.10.2012 – 08.06.2014; First Tier since 09.06.2014 – up to the present time

COMPANY CAPITALISATION

The tough situation in the entire power grid complex resulted in the significant drop of capitalisation of distribution companies in 2013–2015. Tariff freeze, the unresolved Last Mile issue, deterioration of payment discipline of consumers and problems of privileged grid connection put the main pressure on the performance of IDGC of Centre, PJSC. As a result, in early April 2015 the net profit forecast was reduced in the Business Plan and it ultimately ended in a loss. The realisation of this forecast wouldn't let the Company to pay the dividends for 2015, which are the main factor of the investment attractiveness of the Company. Amid continuing deterioration of the economic situation in 2015 and negative forecasts of the company the share price dropped in April-October 2015 by 29% and remained at this level till the year's end.

The chart of capitalisation of IDGC of Centre, PJSC and the trading volume in comparison with key market indicators and key events is provided below.

Capitalisation in 2013–2015 (31.12), RUB mln



In 2015, the capitalisation of IDGC of Centre, PJSC dropped by 28.7%, while the MICEX PWR index grew by 18.4%. The growth of the industry index was mainly driven by the significant increase of the capitalisation of generation companies due to the completion of long-term projects under the capacity delivery agreements and definition of clear, long-term parameters of regulation of competitive power take-off.

The performance of IDGC of Centre's share price in comparison with indices

	IDGC of Centre, PJSC		MICEX index		MICEX PWR		MOEX RCI	
30.12.2015 (mean weighted)	0.1950		1,761.36		944.51		800.14	
30.12.2014 (mean weighted)	0.2735		1,396.61		797.54		619.58	
Change	–28.7%		26.1%		18.4%		29.1%	
MAX (closing)	12.03.2015	0.3260	23.11.2015	1,868.07	05.05.2015	1032.81	N/A	N/A
MIN (closing)	14.12.2015	0.1867	05.01.2015	1,435.66	29.01.2015	784.39	N/A	N/A

The volume of trading and amount of transactions involving IDGC of Centre, PJSC in 2013–2015

Indicators	UoM	2013	2014	2015	Deviation 2015/2014, %
Number of deals	Deals	33,310	43,900	48,840	11.3
Trade turnover	Shares mln	2146.1	6007.9	3808.1	–36.6
	RUB mln	786.62	1594.8	901.1	–43.5
	% of Free float*	20.3	56.9	26.5	–30.4 pp

The volume of trading and amount of transactions involving IDGC of Centre, PJSC in 2015 (main trades at the Moscow Exchange):

1st place
turnover of trades in rubles

1st place
average spread

2nd place
intraday number of deals

Key information about the Company's securities market in 2013–2015

Indicators based on RAS	UoM	2013	2014	2015
Closing prices at the end of the year	RUB	0.2186	0.2525	0.1951
Maximum price	RUB	0.6954	0.3705	0.3345
Minimum price	RUB	0.1803	0.1830	0.1850
Average daily trade volume[1]	RUB mln	3,1	6,4	3.6
	Shares mln	8.6	24.0	15.2
EPS	RUB	0,01	0.08	0..02
Dividend yield[2]	%	0.81%	7.62%	N/A
EV/EBITDA	–	3.56	3.07	3.30
P/E	–	31.70	3.47	9.06
TSR[3]	%	–60,63	26,57	–14,29

BONDS

Three issues of exchange-traded bonds of IDGC of Centre, PJSC, were placed in 2015 as part of diversification of the credit portfolio of the Company enabling the Company to borrow funds under the most profitable conditions.

The organizers of the issue of the exchange-traded bonds were GPB Bank (JSC) and PJSC ROSBANK. NSD performed the functions of a depository.

The key parameters of these exchange-traded bond issues

Main parameters of securities	BO–02	BO–03	BO–04
Number of bonds	5,000,000	5,000,000	5,000,000
Nominal value, RUB	1,000	1,000	1,000
Amount, RUB	5,000,000,000	5,000,000,000	5,000,000,000
Identification number	4B02–02–10214–A	4B02–03–10214–A	4B02–04–10214–A
Date of issue of identification number	25.06.2013	25.06.2013	25.06.2013
Other identification signatures	Put option 3 years after date of placement	Put option 5 years after the date of placement and early redemption after 2 years	Put option 7 years after the date of placement, additional put option on 19.11.2019
Date of placement	05.06.2015	24.11.2015	24.11.2015
Redemption date	23.05.2025	11.11.2025	11.11.2025
Circulation period	10 years	10 years	10 years
Rate,%	12.42	11.80	11.58
Stock exchange	CJSC MICEX		
List	Third tier		
Coupon yield per bond, RUB	61.93	58.84	57.74

[1] *The average value on the Moscow Stock Exchange.*

[2] *Calculated as the ratio of annual dividends per share and market price of the share as of the date of dividend payout decision.*

[3] *Formula: ((Share price at the end of the period – share price at the beginning of the period + dividend amount per share in the reporting period approved by the resolution of AGSM)/ Share price at the beginning of the period)*100%.*

In October 2015, the BO-01 series exchange bonds listed on the Moscow Exchange First Tier quotation list were repaid.

Parameters of securities	BO–01 series exchange bonds
Number of bonds	4,000,000
Nominal value, RUB	1,000
Volume, RUB	4,000,000,000
Identification number	4B02–01–10214–A
Date of assignment of identification number	13.07.2012
Date of initial placement	17.10.2012
Maturity date	14.10.2015
Maturity	3 years
Rate,%	8.95
Stock exchange	CJSC MICEX
List	First (Top) list
Coupon yield per bond, RUB	44.63

The organisers of this issue of the exchange-traded bonds were GPB Bank (JSC) and CJSC VTB Capital. NSD performed the functions of depository.

Information about the exchange-traded bonds is placed on the Company's website.

During the entire period of circulation of the securities and particularly in 2015 IDGC of Centre, PJSC fully performed its obligations for payment of coupon yield under the bond - payments were made in due time and in full.

Paid on commercial papers, RUB

Coupon No.	BO–01 series exchange bonds	BO–02 series exchange bonds	BO–03, BO–04 series exchange bonds
1	178,520,000 RUB (April 17, 2013)	309,650,000 (December 04, 2015)	First coupon payments are scheduled for 2016
2	178,520,000 RUB (October 16, 2013)	–	
3	178,520,000 RUB (April 16, 2014)		
4	178,520,000 RUB (October 15, 2014)		
5	178,520,000 RUB (April 15, 2015)		
6	178,520,000 RUB (October 14, 2015)		

DIVIDEND POLICY

Under the significant regulatory restrictions and instability of external economic factors, dividend income becomes a key factor in the company's investment attractiveness.

The dividends policy of IDGC of Centre aims to respect the rights and interests of shareholders of the Company and create a transparent mechanism of calculation of the amount of dividends and payment procedure.

Starting from 2010, IDGC of Centre annually pays dividends observing the rights of shareholders stipulated by the laws of the Russian Federation, the Articles of Association and internal documents of the Company, including Regulation on dividend policy.

Dividends in the amount of RUB 831.7 mln or 25% of net profit according to RAS, were accrued based on 2014 results.

The amount of dividend payments for 2015 will be determined at the annual General Meeting of Shareholders of IDGC of Centre in June, 2016.

For more details on the Regulation on Dividend Policy, please visit the Company's.

DIVIDEND HISTORY OF IDGC OF CENTRE

		Dividends stated for:			
Indicator under RAS	units	2011	2012	2013	2014
Total dividends	RUB thou.	422,179	862,935	75,992	831,693
Dividend per share	RUB	0.01	0.02044	0.0018	0.0197
Share of net profit under RAS to pay dividends	%	8.11	25.01	25.94	25.01
Date of the shareholders' meeting at which the dividend was distributed	–	15.06.2012	14.06.2013	26.06.2014	25.06.2015
Amount of the dividend paid[1]	RUB thou.	418,110.3	855,080.5	75,226.9	823,433.1
Share of the dividend paid[2]	%	99.04	99.09	98.99	99.01

DIVIDEND POLICY GUIDELINES

Compliance adopted by the Company dividends accrual and payment practices legislation of the Russian Federation and the best standards of corporate behavior

The need to maintain a desired level financial and technical condition of the Company, prospects of development of software

Increasing investment attractiveness The Company and its capitalisation

Ensuring transparency (clarity) of determining the amount of dividends and their payment mechanism

The calculation of the dividend is based on the profit excluding the impact of the revaluation of financial investments

The optimal combination of the interests of the Company and shareholders

1 *Information as of December 31, 2015.*

2 *Information as of December 31, 2015. Dividends are not paid to shareholders who did not provide details for dividend transfers in accordance with paragraph 5 of article 44 of Federal Law No 208-FZ "On Joint-Stock Companies" dated December 26, 1995, or those who provided incorrect details. The dividends accrued on shares belonging to unidentified holders are paid as the shareholders' rights to the shares are identified.*

DIVIDEND PAYMENT CRITERIA

Criteria	Compliance in: 2011	2012	2013	2014	Comments
Main					
Receipt of net profit for the financial year	+	+	+	+	Not including revaluation of financial investment
Debt/EBITDA< 3	+	+	+	+	Calculation based on the current Regulation on Credit Policy. If this criterion is not met, debt payment takes priority over dividend payment
Additional					
Absence of major technical violations	+	+	+	+	The limit for failures described in Clause 4 (Instructions on investigation of failures in power grids approved by Decree No. 846 of the Government of the Russian Federation on October 28, 2009) may not be exceeded.
Reliability target fulfilled, set as part of the Company's KPI	+	+	+	+	
Compliance with the dividend amount in the business plan approved by the Board of Directors of the Company	+	+	+	+	Dividend may not exceed the amount stated in the business plan for the current year approved by the Board of Directors of the Company.

The formula for calculating dividends is stipulated in the Regulation on the Dividend Policy of IDGC of Centre

DIVIDEND CALCULATION EQUATION[1]

$$DIV = NP - PROV\ RF' - PD - PL,$$

where:

DIV– total amount of net profit to pay dividends;

NP – net profit for the financial year (not including revaluation of financial investment) received in accordance with the long-term regulatory indicators established for the Company;

PROV RF' – mandatory levies for reserves and other funds under the Articles of Association of the Company; correlation with the total levies corresponds to the share of profit not including revaluation of financial investments in total net profit;

PD – part of the profit for investment and development of the Company;

PL – part of the profit to cover operating losses of the previous years, if any (not more than 0.5*(NP — ProvRF'— PD)).

In 2015, the Company launched a new tool – the dividend calculator – to assess the approximate amount.

TAXATION OF DIVIDENDS

The dividends paid by the Company are taxable under Articles 224 and 284, Part 2 of the Russian Tax Code at the following rates:

Company profit tax			Tax on income of physical persons	
Russian resident, less than 50% of the authorised capital during 365 days[2]	Residents of the Russian Federation	Non-residents of the Russian Federation	Residents of the Russian Federation	Non-residents of the Russian Federation
0%	13%[3]	15%[4]	13%[5]	15%

In cases where a double taxation treaty applies, tax payments are made at the rate specified therein.

For details on the Dividend Policy and the dividend history, please visit the Company's website.

[1] *Stipulated by the Regulation on Dividend Policy of IDGC of Centre.*
[2] *On the day the decision is taken to pay dividends for at least 365 calendar days of continuous possession of the right of ownership of at least 50% authorised capital of the Company.*
[3] *Taking into account the provisions of Article 275 of the Tax Code of the Russian Federation.*
[4] *Except the cases of application of preferential taxation.*
[5] *Taking into account the provisions of Article 275 of the Tax Code of the Russian Federation.*

SHAREHOLDER AND INVESTOR RELATIONS

The main objective of IDGC of Centre, PJSC in shareholder and investor relations is to provide information about the performance of the Company to all stakeholders. The Company takes significant efforts to raise the awareness of investors and shareholders, to ensure maximum transparency of its business, to respect all rights and legitimate interests of shareholders. Compliance with these principles is aimed at the development of trust with representatives of the investment funds of the Company and shareholders. The successful resolution of the defined objectives facilitates improvement of the investment case of the Company and strengthens is leadership among public companies of the utility sector.

A total of 148 events were organised last year for interaction with representatives of the investing funds of the Company with participation of IR-managers. A total of 8 events with participation of top managers were held, including participation in the international investment road show AccEssMeeting China-Russia in Beijing. Several meetings in direct dialogue format were held at this road show by the management of IDGC of Centre, PJSC and potential Asian partners. The main result of the participation in the road show was establishment of business contacts with representatives of Chinese business, presentation of the Company and review of the financial products, formats of cooperation and criteria of selection of investment projects by private and state investment funds and financial and banking institutions of China for financing of international projects.

In 2015 the Company monitored the analyst reviews covering the Company and power generation sector in general – the consensus forecast of share price implied a drop by 4% by year end, while the peer benchmarking demonstrated that shares of IDGC of Centre, PJSC are valued by the market below both by other IDGCs and foreign peers.

The main tool of interaction with shareholders and the investor community is still the website of the Company and the specialised section “Investors and Shareholders”. The Dividend Calculator http://www.mrsk-1.ru/investors/dividend/calculator/ was added to this section in 2015, and information about the company performance was expanded.

The Company page was launched on the specialised investor website www.closir.com. The new online platform will improve the efficiency of interaction of professional investors all over the world with representatives of the Company.

In November-December, the regular annual Perception Study was performed following the results of activities of the IR Division of IDGC of Centre. The overall aggregated score given by respondents to the IR service of IDGC of Centre, PJSC is 9.22 out of 10, which is higher than the same parameter in the last two years (9.06 out of 10). Respondents of the sell-side rated IR service performance with 9.14, buy-side respondents rated it at 9.30.

148 IR-events
and contacts organised in 2015

Evaluation of the IR- service IDGC of Centre, score

Source evaluation	2013	2014	2015
Total aggregated score	8.45	9.06	9.22
Sell-side respondents	8.85	9.10	9.14
Buy-side respondents	8.05	9.02	9.30

To see the 2015 and 2016 Investor's Calendar, please visit the Company's website.

Consensus forecasts are available on the Company's website.

A list of power sector analysts is provided on the Company's website.

A 9.22 out of 10 is the overall rating of IR-service

FREQUENTLY ASKED QUESTIONS

What new approaches are considered by the management for development of the Company investment case?

We see attraction of new investors as the main approach to development of the Company investment case. The management of the Company maintains regular dialogue with institutional investors and analysts, organises meetings with individual shareholders, participates in conferences and provides all required information. The direct approach to investors is the cornerstone of long-term trust relations enabling the Company to convey the position of management to the investor pool of the Company and to receive prompt feedback.

Do you expect privatisation of the government stake of 0.46%?

In accordance with the 2014-2016 privatisation plan approved by Decree of the Government of the Russian Federation dated 01.07.2013 No.1111-R, the Government-owned stake in IDGC of Centre, PJSC is subject to sale.

INFORMATION DISCLOSURE POLICY

Information disclosure is one of the tools of communication of IDGC of Centre with its shareholders, potential investors, consumers, authorities and other groups of stakeholders. The information disclosure system, being well-functioning and effective, helps to promote proper positioning, and forms the Company's image.

IDGC of Centre discloses its information in compliance with the requirements of Russian laws as a joint-stock company being an issuer whose securities are traded on Moscow Exchange, and as a retail energy market player.

The Company strives to provide the most complete information, not limiting itself to the format and schedule for mandatory information disclosure in its effort to reach the most effective interaction with the related parties and enable them to make weighted decisions. The main document defining the principles for information disclosure is the Regulation on Information Policy of IDGC of Centre approved by the Board of Directors (Minutes No. 21/13 dated September 02, 2013). Moreover, the Company follows the recommendations on information disclosure stipulated in the Corporate Governance Code by the Bank of Russia.

Regulation on information policy is available on Company's website of the Company.

The 2014 Annual Report of IDGC of Centre won 18th Annual Competition of Annual Reports in the main nomination "The Best Annual Report of a Company with Capitalisation up to 30 bln RUB". The competition was organised by Moscow Exchange and RBC media group.

In the competition of the annual reports organised by the League of American Communications Professionals (LACP), IDGC of Centre received the highest award – the Platinum Award among companies with revenues of up to USD 100 million. Additionally, the Annual Report of IDGC of Centre was ranked among the 20 best reports out of 800 participants. In the rating assessment, the report of IDGC of Centre scored 99 points out of 100 possible.

INSIDER INFORMATION PROTECTION

IDGC of Centre works with a large volume of insider information, and the goal of the Company is to prevent its illegal use. To prevent misuse of such information, the Company strictly observes the Regulation on Insider information (Minutes No 27/11 of the meeting of the Board of Directors dated December 29, 2011). IDGC of Centre introduced internal procedures to facilitate compliance with the law and internal regulations.

Regulation on insider information is available on Company's website.

APPENDICES

RSM RUS LTD.
4 Pudovkina street,
Moscow 119285, Russia
Tel: +7 (495) 363-28-48
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Website: http://rsmrus.ru
Email: mail@rsmrus.ru
01.03.2016 No. RSM–1355

AUDITOR CONCLUSION ON 2015 ACCOUNTING STATEMENTS

TO SHAREHOLDERS OF IDGC OF CENTRE, PJSC

AUDITED ENTITY:

Interregional Distribution Grid Company of Centre, Public Joint Stock Company (IDGC of Centre, PJSC).

Address: 4, 2nd Yamskaya street, Moscow, 127018, the Russian Federation;

Primary State Registration Number: 1046900099498.

AUDITOR:

Limited Liability Company RSM RUS

Address: 119285, Moscow, Pudovkina Str., 4;

Telephone: (495) 363-28-48; fax: (495) 981-41-21;

Main State Registration Number - 1027700257540.

Limited Liability Company RSM RUS is a member of Self-Regulatory Organisation (SRO) Non-Commercial Partnership "Auditor Association Sodruzhestvo" (membership certificate No. 6938, ORNZ 11306030308), address: 21, Michurinsky avenue, bldg. 4, Moscow, 119192.

We conducted the audit of attached accounting statements of IDGC of Centre, PJSC, which include the balance statement as of December 31, 2015, profit and loss statement, statement of changes in equity and cash flow statement for 2015, textual explanations to the balance statement and profit and loss statement.

RESPONSIBILITY OF THE AUDITED ENTITY FOR ACCOUNTING STATEMENTS

The management of IDGC of Centre, PJSC is responsible for the drawing up and reliability of the specified accounting and financial statements in accordance with the accounting standards of the Russian Federation, as well as for the system of internal control necessary for drawing up the accounting and financial statements containing no material misstatement as a result of bad faith or mistakes.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the accounting statements based on our audit. We conducted the audit in accordance with the Federal Auditing Standards. These standards require that we observe the applicable ethical norms and that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The audit involved performing the auditing procedures to obtain audit evidence confirming the figures in the financial statements and disclosure of the information it contains. The choice of audit procedures is the subject of our judgement, which is based on an assessment of the risk of material misstatement, either as a result of unfair actions or errors. In the course of this risk assessment, we examined the internal control system, which provides drawing up and reliability of the accounting and financial statements, in order to select the auditing procedures that correspond to the conditions of the task, rather than for the purpose of expressing our opinion on the effectiveness of the internal control system.

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. 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 description in any jurisdiction.

OPINION

In our opinion, the financial statements reflect reliably in all material respects on the financial position of IDGC of Centre, PJSC, as of December 31, 2015, the results of its financial and economic activities and the cash flow of funds in 2015 in accordance with Russian Accounting Standards.

The audit also included an assessment of appropriateness of the accounting policy used and validity of estimates made by the management of the audited entity, as well as evaluating the financial statements as a whole.

We believe that the sufficient appropriate audit evidence obtained during the audit provides a reasonable basis for expressing our opinion on the reliability of these financial statements.

Management Board Chairwoman — N.A. Dantser

Auditor's qualification certificate No. 05-000015 issued on the basis of Resolution of self-regulatory organisation of auditors Non-Commercial Partnership Russian Collegium of Auditors dated November 15, 2011 No. 24 for unlimited term

ORNZ in the Register of Auditors and Auditor Organisations – 29605011647

Audit Manager — N.A. Timofeeva

Auditor's qualification certificate No.03-000189 issued on the basis of Resolution of self-regulatory organisation of Auditors Non-Commercial Partnership Moscow Auditor Chamber dated March 13, 2012 No. 170 for unlimited term.

ORNZ in the Register of Auditors and Auditor Organisations – 20903018758

BALANCE SHEET

AS OF 31.12.2015

			Codes
		Form under General Russian Classification of Management Documentation (OKUD)	0710001
		Date (year, month, day)	31.12.2015
Company	IDGC of Centre, PJSC	under Russian National Classifier of Businesses and Organizations (OKPO)	75720657
Id. tax payer number		Taxpayer Id. Number (INN)	6901067107
Type of activity	Electric power transmission	under Russian National Classifier of Economic Activities (OKVED)	40.10.2
Business legal structure/Form of ownership	PJSC/ mixed		
		under Russian National Classifier of Forms of Incorporation (OKOPF)\Russian National Classifier of Ownership Patterns (OKFS)	12247 | 41
Measurement unit:	RUB thousand	under Russian National Classifier of Measurement Units (OKEI)	384
Location (Address)	127018, Moscow, Russia, 2nd Yamskaya, 4		

Note	Indicator	Line code	As at 31 December 2015	As at 31 December 2014	As at 31 December 2013
	ASSETS				
	I. NON-CURRENT ASSETS				
5.1.1.–5.2.2.	Intangible assets	1110	27,142	35,715	41,163
5.2.2.	including pending transactions to acquire intangible assets	1111	–	–	–
5.2.1.–5.2.2.	R&D results	1120	96,233	84,748	77,030
5.2.2.	including expenses for R&D in progress	1121	43,911	19,320	77,030
	Intangible exploratory assets	1130	–	–	–
	Tangible exploratory assets	1140	–	–	–
5.3.1.–5.3.6.	Fixed assets	1150	95,289,473	89,170,794	85,253,111
	land plots and environmental facilities	1151	290,990	201,313	199,909
	buildings, machinery and equipment, constructions	1152	88,991,356	83,820,570	79,171,795
	other types of fixed assets	1153	1,596,766	1,565,862	1,493,079
5.3.5.	construction in progress	1154	3,582,067	3,395,011	4,279,579
5.3.6.	advances made for capital construction and acquisition of fixed assets	1155	2,782	10,090	23,421
	raw materials for use in the creation of fixed assets*	1156	334,349	177,948	85,328
	machines and equioment, structures and transmission devices under concession	1157	491,163	–	–

Note	Indicator	Line code	As at 31 December 2015	As at 31 December 2014	As at 31 December 2013
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	254,724	1,377,090	1,611,955
	investments in subsidiaries	1171	15,355	1,117,470	1,117,470
	investments in affiliates	1172		–	–
	investments in other companies	1173	234,369	165,620	175,885
	loans granted to companies for more than 12 months period	1174	5,000	94,000	318,600
	other long-term financial investments	1175		–	–
5.7.2.	Deferred tax assets	1180	1,196,220	1,014,769	1,015,568
	Other non-current assets	1190	721,798	489,885	530,760
	TOTAL for section I	**1100**	**97,585,590**	**92,173,001**	**88,529,587**
	II. CURRENT ASSETS	1210			
5.5.1–5.5.2.	Supplies		2,001,636	1,744,087	1,990,889
	raw material, materials and other analogous values	1211	2,001,636	1,744,087	1,990,889
	construction in progress costs	1212	–	–	–
	finished products and goods for resale	1213	–	–	–
	shipped goods	1214	–	–	–
	other supplies and expenses	1215	–	–	–
	Value added tax according to purchased valuables	1220	36,514	19,389	1,952
5.6.1.–5.6.4.	Accounts receivable	1230	17,748,969	16,713,561	13,024,838
	Payments on which are expected more than 12 months after accounting date	1231	27,359	22,629	23,437
	buyers and customers	123101	20,248	9,081	7,699
	notes receivable	123102	–	–	–
	prepayments	123103	3,250	7,319	5,303
	other receivables	123104	3,861	6,229	10,435
	on which payments are expected within 12 months after the balance sheet date	1232	17,721,610	16,690,932	13,001,401
	buyers and customers	123201	15,375,387	13,892,943	11,065,331
	notes receivable	123202	–	–	–
	receivables from subsidiaries and affiliates Companies Dividend	123203	–	–	–
	receivable of participants (founders) Contributions to the charter capital	123204	–	–	–

Note	Indicator	Line code	As at 31 December 2015	As at 31 December 2014	As at 31 December 2013
	prepayments	123205	116,679	424,842	166,283
	other receivables	123206	2,229,544	2,373,147	1,769,787
5.4.1–5.4.3.	Financial investments (Except cash equivalents)	1240	–	–	–
	loans to organisations for less than 12 months	1241			–
	Other short-term investments	1242	–	–	–
F.4	Cash and cash equivalents	1250	105,596	367,344	1,030,417
	cashbox	1251	–	–	335
	accounts	1252	67,341	343,147	1,002,718
	currency accounts	1253	–	–	–
	other funds	1254	38,255	24,197	27,364
	Other current assets	1260	390,809	374,656	410,405
	Total for section II	**1200**	**20,283,524**	**19,219,037**	**16,458,501**
	BALANCE	**1600**	**117,869,114**	**111,392,038**	**104,988,088**
	LIABILITIES				
	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.	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	18,610,139	18,528,776	15,273,047
	of past years	1371	17,701,152	15,202,837	14,980,149
	of the reporting period	1372	908,987	3,325,939	292,898
	TOTAL for section III	**1300**	**56,312,959**	**56,231,596**	**52,975,867**
	IV. LONG-TERM LIABILITIES				
5.6.7.–5.6.8.	Loans and credits	1410	40,455,000	27,670,000	31,220,000
	bank credits subject to payment more than within 12 months after the reporting date	1411	25,455,000	27,670,000	27,220,000
	loans subject to payment more than within 12 monthsafter the reporting date	1412	15,000,000	–	4,000,000
5.7.2.	Deferred tax liabilities	1420	7,522,936	6,986,807	6,349,854
5.7.1.	Estimated liabilities	1430	–	–	–

Note	Indicator	Line code	As at 31 December 2015	As at 31 December 2014	As at 31 December 2013
5.6.5.–5.6.6.	Other liabilities	1450	380,688	570,490	575,327
	TOTAL for section IV	**1400**	**48,358,624**	**35,227,297**	**38,145,181**
	V. SHORT-TERM LIABILITIES				
5.6.7.–5.6.8.	Loans and credits	1510	1,676,505	9,530,970	1,831,100
	bank credits subject to payment within 12 months after the reporting date	1511	1,512,055	5,455,450	1,756,540
	loans subject to payment within 12 months after the reporting date	1512	164,450	4,075,520	74,560
5.6.5.–5.6.6.	Accounts payable	1520	9,790,711	8,669,198	10,121,980
	suppliers and contractors	1521	4,908,287	5,315,569	6,212,616
	bills payable	1522	–	–	–
	debt to personnel relating to labour payment	1523	4,266	48,444	10,806
	debt to governmental extra-budgetary funds	1524	419,797	328,605	312,890
	taxes and levies payable	1525	1,063,095	623,824	786,475
	advances received	1526	2,040,720	1,743,124	2,047,937
	debts to participators (founders) according to income payment	1527	16,880	13,120	18,754
	other accounts payable	1528	1,337,666	596,512	732,502
	Deferred income	1530	150	329	509
5.7.1.	**Estimated liabilities**	**1540**	**1,730,165**	**1,732,648**	**1,913,451**
	Other liabilities	1550	–	–	–
	TOTAL for section V	**1500**	**13,197,531**	**19,933,145**	**13,867,040**
	BALANCE	**1700**	**117,869,114**	**111,392,038**	**104,988,088**

Head O.Y. Isaev Chief Accountant L.A. Sklyarova

1 March 2016

PROFIT AND LOSS STATEMENT
FOR 2015

			Codes
		Form under General Russian Classification of Management Documentation (OKUD)	0710001
		Date (year, month, day)	31.12.2015
Company	IDGC of Centre, PJSC	under Russian National Classifier of Businesses and Organizations (OKPO)	75720657
Id. tax payer number		Taxpayer Id. Number (INN)	6901067107
Type of activity	Electric power transmission	under Russian National Classifier of Economic Activities (OKVED)	40.10.2
Business legal structure/Form of ownership	PJSC/ mixed		
		under Russian National Classifier of Forms of Incorporation (OKOPF)\Russian National Classifier of Ownership Patterns (OKFS)	12247 | 41
Measurement unit:	RUB thousand	under Russian National Classifier of Measurement Units (OKEI)	384
Location (Address)	127018, Moscow, Russia, 2nd Yamskaya, 4		

Note	Indicator	Code	For 2015	For 2014
1	2	3	4	5
	Revenue	2110	79,817,205	86,705,172
	including			
	revenue from electricity transmission	2111	77,733,610	69,151,494
	revenue from grid connection	2112	1,159,702	1,495,542
	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		15,052,987
	income from participation in other organisations	2115	–	–
	lease income	2116	55,867	66,667
	revenue from sale of other goods, products, works, services of industrial nature	2117	843,206	938,482
	revenue from sale of other goods, products, works, services of non-industrial nature	2118	24,820	–
2.1.	Cost of sales	2120	(68,520,138)	(73,947,573)
	including			
	electricity transmission	2121	(67,619,611)	(65,624,070)
	grid connection	2122	(397,546)	(313,066)
	functioning organisation and development of UES of Russia in terms of electric distribution grid	2123		–
	resale of electric energy and power	2124		(7,540,440)
	participation in other organisations	2125		–
	lease	2126	(7,811)	(9,611)
	other goods, products, works, services of industrial nature	2127	(477,063)	(460,386)
	other goods, products, works, services of non-industrial nature	2128	(18,107)	–

Note	Indicator	Code	For 2015	For 2014
	Gross profit (loss)	2100	11,297,067	12,757,599
2.1.	Commercial expenses	2210		(652,624)
2.1.	Management expenses	2220	(2,193,725)	(2,107,480)
	Profit (loss) from sales	2200	9,103,342	9,997,495
	Profit from participation in other organisations	2310	17,704	38,767
	Interest receivable	2320	267,287	106,655
	Interest payable	2330	(4,195,436)	(2,501,600)
5.11.	Other profit	2340	5,211,763	6,668,817
5.11.	Other expenses	2350	(8,440,358)	(9,446,256)
	Profit (loss) before taxation	2300	1,964,302	4,863,878
2.3.	Current profit tax	2410	(894,230)	(971,250)
2.3.	including constant tax liabilities (assets)	2421	774,310	556,932
2.3.	Change in deferred tax liabilities	2430	(545,388)	(644,055)
2.3.	Change in deferred tax assets	2450	272,448	85,597
2.3.	Other	2460	111,855	(8,231)
	Net profit (loss)	2400	908,987	3,325,939

Note	Indicator	Code	For 2015	For 2014
	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	908,987	3,325,939
2.2.	Basic earnings (loss) per share, RUB	2900	0,0215310	0,0787803
2.2.	Diluted earnings (loss) per share, RUB	2910		

Head O.Y. Isaev Chief Accountant L.A. Sklyarova

1 March 2016

LIST OF ABBREVIATIONS

AIC	Agro-industrial complex
AWP	Automated workplace
AKUE	Automated system of commercial energy metering
GDP	Gross domestic product
HV	High voltage (110 kV)
FOCL	Fiber optic communication line
AGSM	Annual General Shareholder Meeting
GS	Guaranteeing supplier (Supplier of last resort)
Subsidiaries	Company subsidiaries and affiliates
ENES	Unified National (All-Russian) Power Grid
ITC	Information technologies, automation and telecommunications
CRMIS	Corporate resource management information system (ERP)
CGC	Corporate Governance Code recommended by the Bank of Russia
KPI	Key performance indicator
PL	Power line
MMTR	Minimum monthly tariff rate of 1st grade worker
IFRS	International Financial Reporting Standards
MTO	Materials
MUE	Municipal unitary enterprise
MED	Ministry of Economic Development of the Russian Federation
RGP	Required gross proceeds
PIT	Personal income tax
R&D	Research and development
NRKU	National corporate governance rating
NC&E	New construction and expansion
ODU of Centre	Operational and Dispatch Division of Centre
OJSC	Open Joint-Stock Company
LLC	Limited Liability Company
IDP	Innovational development programme
SW	Software
SS	Substation meaning an electrical installation designed for transformation and distribution of electric power
CMP	Cost management programme
RAS	Russian Accounting Standards
DGC	Distribution grid company
REC	Regional energy commission
PGR	Distribution Zone
ICS and RM	Internal Control and Risk Management System
BoD	Board of Directors (BD)
Media	Mass media
SSME	Subjects of Small and Medium Entrepreneurship
ICTS	Information collection and transmission system
AMS	Asset management system
TS	Transformer substation
U&R	Upgrading and reconstruction
TGO	Territorial grid organisation
Tfe	Ton of fuel equivalent
MICEX	Moscow Interbank Currency Exchange
FSUE	Federal state unitary enterprise
FZ	Federal law
FGC	Federal Grid Company, PJCS FGC UES
FTS	Federal Tariff Service
CCC	Customer Service Centre
GCC	Grid Control Centre
EPS	Earnings per share
Free float	Shares of the Company in free trade which do not belong to the controlling and strategic shareholder
IR (Investor Relations)	Interaction with shareholders and investors - sphere of activities of the organisation aimed for development of efficient interaction of the Company with shareholders and investors and with other stakeholders which can influence the market value of the Company for presentation of information about current condition of the Company and its outlooks with maximum accuracy and reliability
RAB (Regulatory Asset Base)	Method of profitability of invested capital. Main principles of methodology is return of the funds of the Company invested in the assets within the established period and generation of the regulated income
ROE	Profitability of equity capital – net profit of the Company expressed as percentage of equity capital

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