

ADAPTABILITY

INVESTMENT
CASE

Digital
transformation:

less

is

**MORE
QUALITY**

CAPEX

OPEX

EMERGENCY
SITUATION

CONNECTION TIME

RELIABILITY

EFFECTIVENESS

Integrated
Annual Report
2019

INFRASTRUCTURE
AVAILABILITY

ABOUT THE REPORT

This Annual Report has been prepared using the information available to IDGC of Centre, PJSC (hereinafter referred to as IDGC of Centre, Company) as at the date thereof and presents the results of the Company's activities for the period from 1 January to 31 December 2019. The information contained herein, including financials based on accounting (financial) statements under the Russian Accounting Standards, comprises IDGC of Centre's activity data. The section of the Annual Report containing the performance measures of the consolidated financial statements includes data on the activities of IDGC of Centre's Group of companies.

The Report has been prepared using the guidelines of the Global Reporting Initiative (GRI¹ Standards) and outlining the Sustainable Development Goals formulated by the United Nations (UN SDG), which the Company adheres to. In the reporting year, the Company took steps to identify significant topics involving external and internal experts. Key topics covered projects of the Digital Transformation Programme; plans for the consolidation of territorial grid organisations (TGOs); company stability (plans for the development of additional services and an increase in the share of non-tariff revenue), a stable business model; contractors relations; respect for human rights; employee social support programmes; energy saving and resource saving; ESG factors; motivation programmes for management; dividend policy transparency. Disclosure of identified significant topics is included in the scope of the Report.

IDGC OF CENTRE

IDGC of Centre is a Russian power grid company primarily engaged in providing power transmission and grid connections services, with the Executive Office sitting in Moscow and branches operating in Belgorod, Bryansk, Voronezh, Kostroma, Kursk, Lipetsk, Orel, Smolensk, Tambov, Tver, and Yaroslavl Regions.

The Company's customers are major industrial manufacturers, transport companies, agricultural producers, community facilities, and guaranteeing suppliers (suppliers of last resort). Since September 2017, IDGC of Centre has been acting as the sole executive body of IDGC of Center and Volga Region, which is the key supplier of power distribution and grid connections services in the Vladimir, Ivanovo, Kaluga, Kirov, Nizhny Novgorod, Ryazan, Tula Regions, as well as Mari El and Udmurtia Republics.

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DISCLAIMER

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

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

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

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

SINGLE BRAND

THE TRANSITION OF ROSSETI'S GROUP OF COMPANIES TO SINGLE BRAND ARCHITECTURE

In June 2019, the St Petersburg International Economic Forum (SPIEF-2019) introduced the Unified Corporate Identity Standard of PJSC Rosseti and entities of Rosseti's group of companies approved by the Board of Directors of PJSC Rosseti on 29 April 2019. Since that time, all subsidiaries and affiliates of the transmission and distribution power grid complex have switched to single brand architecture in corporate and marketing communications and have begun using new names containing Rosseti's trademark and regional or functional reference.

ACTIVITIES ASSOCIATED WITH THE TRANSITION TO A SINGLE BRAND ARCHITECTURE WERE DIVIDED INTO TWO MAIN STAGES

1

After the Board of Directors of Rosseti approved the Unified Corporate Identity Standard, all subsidiaries and affiliates of the transmission and distribution complexes put the relevant corporate procedures in place. The remaining branded items are being replaced progressively as their depreciation periods expire, without increasing the existing budgets and within the framework of approved business plans.

2

Change of legal names of subsidiaries and affiliates. Since the end of December 2019, subsidiaries and affiliates of the distribution power grid complex that are part of Rosseti's group of companies have started changing their legal names in line with the new brand architecture.



"Rosseti unites 70% of distribution grids and 90% of transmission grids, adopts common approaches to the management and development of the domestic power grid infrastructure, and constantly improves the quality of services provided, while expanding their list. Working under a single brand strengthens the interconnection of enterprises of Rosseti's group of companies, makes the brand more recognisable in the country and in the power grid sector. Consumers are now finding it easier and more understandable to interact with us. The transition to a single name is part of the systemic process of great transformation across all areas of the holding".

Pavel Livinskiy,
Director General,
Chairman of the Management Board,
PJSC Rosseti



The renaming of subsidiaries and affiliates will not give rise to any changes in the structure and staff composition of the companies. Moreover, building healthy communications based on a single brand, coupled with Rosseti's initiatives intended to popularise the energy industry, will significantly promote the reputation of the energy engineer profession and attract high potential staff. Thanks to the transition to single brand architecture, each employee of the Company could feel like a part of a large 220,000 team, regardless of territorial attachment, and will be involved in solving common tasks for the entire energy holding. A single team of power engineers united by common goals will be able to achieve even more significant results.

SINGLE BRAND FEATURES

As of the beginning of 2019, the Russian power grid complex lacked a single name that was recognisable and understandable for a wide audience for identification. The confidence in Rosseti was distributed among direct reporting organisations, each of which separately yearned a reputation in its segment among consumers, shareholders, and counterparties. However, the prevalent situation of 15 simultaneously existing brands so far resulted in confusion and low awareness of people not directly related to the power grid industry. The Rosseti brand in early 2019 was greatly underestimated. Virtually, this directly affected the company's quoted prices in the public capital markets and did not drive the revenue of the group's shareholders up. Strengthening corporate identity offered new opportunities for the prospective growth of the investment appeal of the holding.

The introduction of a single ideological platform for all subsidiaries and affiliates and, consequently, increased recognition of Rosseti's group of companies will enable to focus the attention of stakeholders and the wide audience from anywhere in the world on the activities of the energy holding under the umbrella of a single authoritative brand. Grand-scale rebranding will empower the long-term growth of the investment appeal of the Company as a whole, its capitalisation and loyalty. The outcomes of these transformations will make the company significantly closer to stakeholders, and a holistic brand will symbolise common performance standards of Rosseti's group of companies throughout the territory of Russia.

HIGHLIGHTS

2019



19



I

Standard & Poor's upgraded the long-term international credit rating of IDGC of Centre from "BB" to "BB +" with a Stable Outlook

The key factors in the rating were the stable operational performance of the Company, the sustainable debt dynamics, as well as the high systemic importance of the Company both for its regions of operation and for Rosseti's group of companies.

II

IDGC of Centre signed agreements with the Kursk, Lipetsk and Orel Regions aimed at the long-term development of the power grid complex of these regions:

ensuring sustainable socio-economic growth of territories and stipulating the conditions for the provision of electricity transmission services.

III

IDGC of Centre and Mail.ru Group signed a cooperation agreement

The parties will collaborate on the implementation of projects to introduce digital technologies into the corporate and business processes of the Company, including big data, industrial Internet, artificial intelligence, robotics and sensory components, blockchain systems, virtual and augmented reality technologies.

IV

IDGC of Centre gained control over Joint Stock Company Voronezh Gorelektroset (Voronezh Power Grid)

Subsidiary of IDGC of Centre, JSC "Sanatorium "Energetic" (Health Resort), concluded a deal to acquire a block of shares **(100% - 1 share) of JSC VGES**

V

IDGC of Centre gained control over Joint Stock Company Tula Gorelektroseti (Tula Power Grids)

The subsidiary company of IDGC of Centre, JSC "Sanatorium "Energetic", acquired

69.999% of shares of JSC TGES

VI

A new Strategy of Rosseti's group of companies was approved, which defines the goals and trends of development until 2030

The key change is the transition to a business model of modern innovation infrastructure. Promoting the further upgrade of efficiency of current activities aimed at developing the sector and ensuring reliability, quality and availability of infrastructure in the new digital environment are among the main strategic priorities.

VII

The Board of Directors of IDGC of Centre approved the Digital Transformation Programme for 2020–2030

The main effect of the Programme will be a reduction in the accident rate in grids and prompter response to process faults. Implementing the Programme opens up new opportunities for the rapid expansion of electric grid infrastructure while increasing the yield of companies' business.

The total investments of IDGC of Centre in the activities of the first stage of the Programme (until 2024 inclusive) will amount to

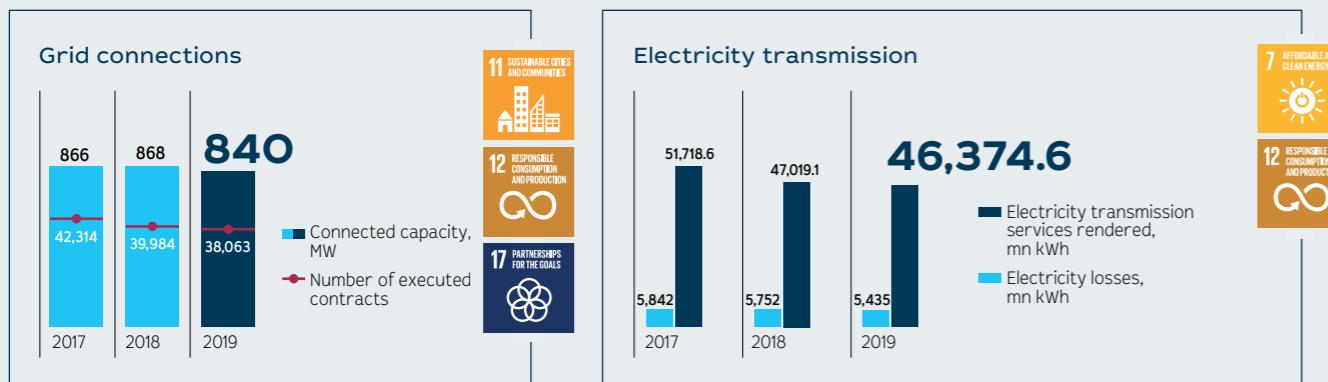
RUB 53.7 billion, incl. VAT.

The payback period is less than ten years.

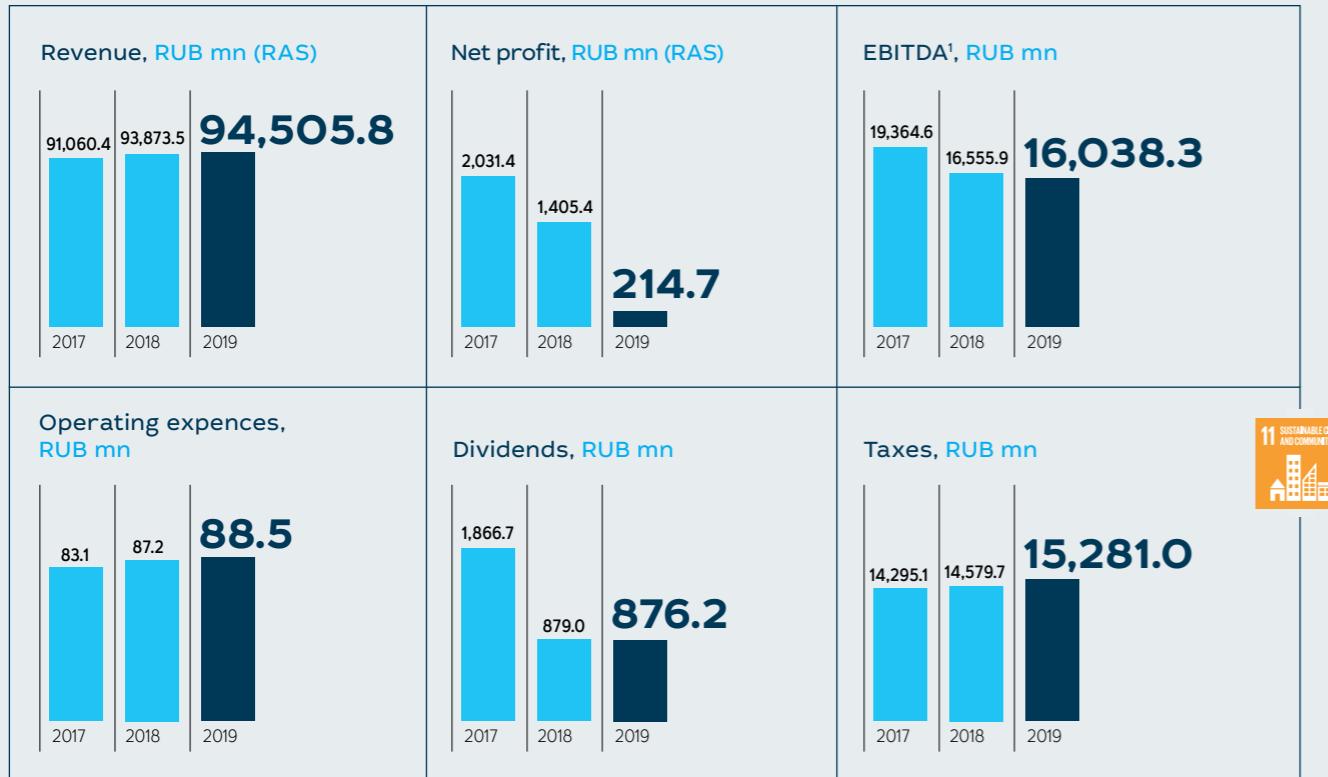
PERFORMANCE HIGHLIGHTS

2017-2019

PRODUCTION FIGURES



FINANCIAL FIGURES



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

SUSTAINABLE DEVELOPMENT INDICATORS

CARE FOR EMPLOYEES

The number of employees who took part in off-the-job training

14,327

Training costs of Company's employees, RUB mn

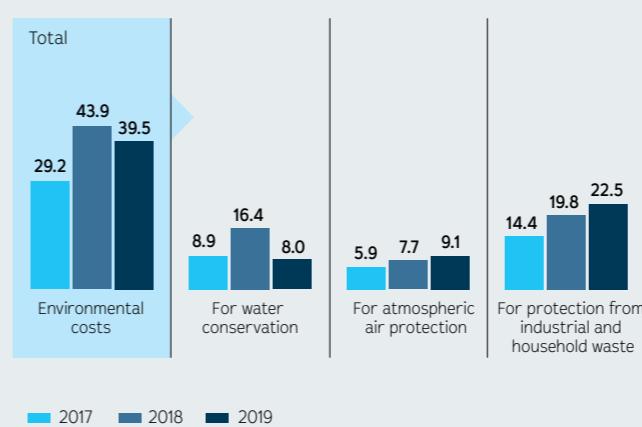
86.5

Occupational health and safety costs, RUB mn

604.8

ENVIRONMENTAL

Environmental costs structure, RUB mn



INNOVATIONS

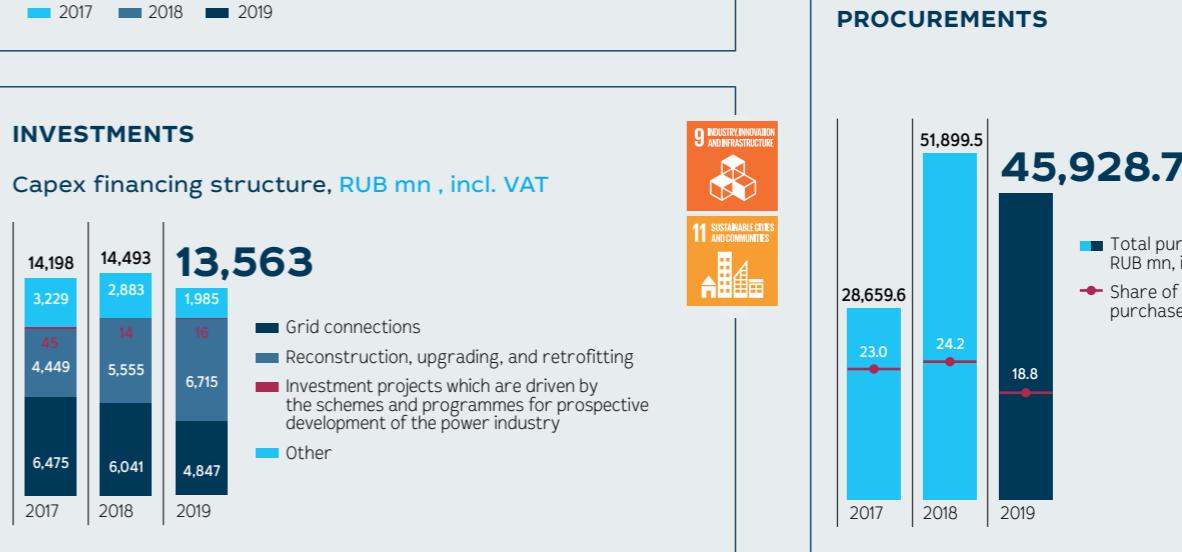
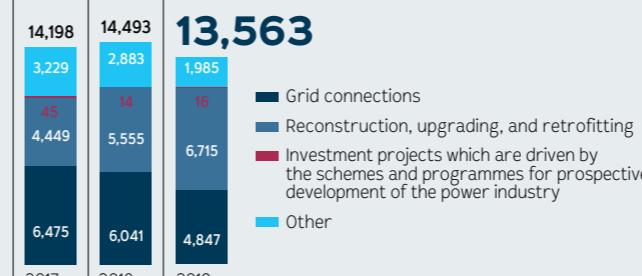
INNOVATIONS

Innovation costs, RUB mn

873.9

INVESTMENTS

Capex financing structure, RUB mn, incl. VAT



STATEMENT BY THE CHAIRMAN OF THE BOARD OF DIRECTORS



DEAR SHAREHOLDERS AND INVESTORS,

IDGC of Centre has entered a new era of digital development, which now affects all aspects of the Company's activities. The fast-changing world dictates its requirements and only flexible organisations ready for transformations have the potential to become leaders in their industries in the current environment. There is no doubt that IDGC of Centre is the very agent for changes, which already serves as a model for other power grid companies.

STRATEGIC PRIORITIES

In December 2019, the Board of Directors of PJSC Rosseti approved the Development Strategy of Rosseti's group of companies until 2030. The document envisages the transition to a fundamentally new business model of modern innovation infrastructure. Upgrading operational and investment efficiency, as well as ensuring the reliability, quality and availability of infrastructure in the new digital environment are recognised as the main strategic priorities. In pursuance of the adopted Strategy, in February 2020, the Board of Directors of IDGC of Centre approved the "2020–2030 Digital Transformation of IDGC of Centre, PJSC and IDGC of Center and Volga Region, PJSC" Programme, which will form the basis for further strategic development of the Company. Also, taking into account current trends in the conduct of responsible business, the Strategy focuses on maintaining a balance of interests of all stakeholders, including the state, consumers, shareholders, and investors.

CORPORATE RESPONSIBILITY

The corporate governance system, which, without exaggeration, is at a high level in IDGC of Centre, will play a crucial role in the implementation of the strategic objectives. In 2019, the Board of Directors of the Company for the first time conducted a self-assessment of its work and the work of committees under the Board of Directors in accordance with the previously approved Assessment Procedure. This greatly helped to reveal strengths and weaknesses, as well as identify existing risks. The findings will contribute to the further improvement of corporate procedures. IDGC of Centre also seeks to comply with the strict requirements of the Listing Rules of the Moscow Exchange. So, the annual General Meeting of Shareholders in 2019 re-elected new members to the Board of Directors, with four out of 11 directors meeting the independence criteria. Through this the Board of Directors became a place

GRI 102-14, 102-26

for discussion and a centre of various competencies. To upgrade the quality of decisions taken and improve the transparency of its activities, IDGC of Centre places high emphasis on enhancing corporate governance, which is confirmed annually by a high National Corporate Governance Rating of the Russian Institute of Directors (NCGR RID) of 7+ "Developed Corporate Governance Practice".

FOCUS ON SUSTAINABLE DEVELOPMENT

While engaging in production activities, IDGC of Centre does not forget about the important social function, which is an integral part of the Company's contribution to the sustainable development of regions where it operates. Over the years, IDGC of Centre has been supporting volunteer organisations, local communities, war veterans, and home front workers. The Company assumes responsibility for the impact its activities has on economic, social, social processes and the environment. In 2019, electric cars for the first time were purchased for general duties, and the project to transfer vehicles to natural gas motor fuel was continued. I believe that further successful development of the Company is possible only if modern environmental requirements are observed and the needs of all stakeholders are taken into account.

Alexander Kazakov,
Chairman of the Board
of Directors,
IDGC of Centre

A handwritten signature in black ink, appearing to read "A. Kazakov".

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STATEMENT BY THE GENERAL DIRECTOR



DEAR SHAREHOLDERS, INVESTORS, CUSTOMERS,
PARTNERS AND EMPLOYEES OF IDGC OF CENTRE,

Last year was a year of outstripping development for us. We were challenged with unprecedented tasks. The strategic priority for IDGC of Centre in 2019 was the full-scale implementation of the Digital Transformation Concept. In just one year, the Company managed to achieve real results that will determine the direction for further development and create the power grid complex of the future. The present Report describes the main directions and progress made by IDGC of Centre in creating a modern socially responsible company.

BUSINESS POTENTIAL

It is safe to say that the results of the year prove all current production programmes were implicitly delivered. Over 4.7 thousand transformer substations and 14.5 thousand km of power lines were repaired. In order to support the development of the regions where the Company operates, more than 3.3 thousand km of power lines and 426 MVA of capacity were put into operation. The construction of a number of large facilities was completed, new capacities were commissioned to provide electricity to enterprises that are critical for the socio-economic development of the regions. Over 38 thousand consumers were connected to the Company's grids. Despite harsh weather challenges, a high level of faultless operation was achieved. The number of emergency situations in 2019 generally decreased by 15%.

GRI 102-14, 102-15, 102-31

INCREASE IN CONSOLIDATED REVENUES

The volume of power transmission services provided by the end of the year amounted to 46.4 billion kWh. Therewith, an emphasis was placed on measures to reduce electricity losses, the level of which decreased from 10.60 to 10.23%, saving extra RUB 882 million in 2019. The Company increased the volume of non-regulated services rendered, including through the provision of new additional services to customers, thereby increasing other revenue by 6.3%. Despite the decrease in electricity consumption by large consumers in the area of responsibility of the Company and higher average daily temperatures during the reporting year, total revenue grew to RUB 94.5 billion. Positive financial results were due to timely response to the negative impact of external factors through prompt adjustments and management of budgetary parameters.

In 2019, we fully
completed all
current
production
programmes.

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STATEMENT BY THE GENERAL DIRECTOR

(CONTINUED)

DIGITAL TRANSFORMATION PROGRAMME

The main task for IDGC of Centre in 2019 was surely the up-front implementation of the Digital Transformation Programme. During the year, one third of all the activities of the first five-year stage was completed - this is twice as much as was originally planned. Five grid control centres and city dispatch points were established to manage power grid facilities of the constituent entities of the Russian Federation and major cities in online mode. The first 35/10 kV Nikolskoye digital substation was commissioned in the Belgorod Region and a pilot project for the installation of energy storage devices was successfully implemented. In the Voronezh Region, the construction of the 110 kV Sputnik substation began - this will be the first digital power centre in Central Russia built from the ground up.

To enhance the effectiveness of the distribution grid complex, innovative technologies are being introduced, modern equipment is being installed, and business processes are being transformed. With an objective to address the challenges of innovative development, the Company completed preparatory work towards implementing the "Software-based method to detect off-the-meter electricity consumption using Big Data technology" project. In the Yaroslavl, Lipetsk, and Tver Regions, the Digital Electrician project for electricity metering was put into trial operation. In the Lipetsk Region, a system for assessing the technical condition of overhead power lines using unmanned aerial vehicles has been successfully tested. All these and many other implemented measures create a unique power grid infrastructure, which will form the basis of the accelerated development of the Company for decades to come.

INVESTMENT PROSPECTS

The Company maintains close cooperation with its stakeholders, with the accent on the interaction with shareholders and investors. In 2019, a first-ever meeting was held between the management of IDGC of Centre and representatives of minority shareholders, which reaffirmed the Company's respect for the principles of information transparency and the quality of corporate governance. For nine years, the Company has been having a positive dividend history, which was supplemented last year by the practice of paying interim dividends. The dominant position of the Company in the economically developed regions of the European part of Russia and its leadership on the structure of production assets can provide a clear rationale for the attractiveness of the investment history of IDGC of Centre in the longer run.

We strongly believe
in investment
attractiveness
of the Company
over the longer
term.

CONTINUING PRIORITY

We must recognise those without whom it would not have been possible to achieve such significant results. IDGC of Centre's team is a strong and close-knit group of professionals that makes a remarkable contribution to developing the power grid complex and strengthening the leadership status of the Company in the Russian energy industry. Therefore, faced with epidemiological problems in 2020, the Company, at a very early stage of introducing restrictive measures, did everything necessary to protect its employees. Thanks to the digital transformation arrangements made, all external business processes were quickly transferred to a remote format, and about 35% of employees crossed over to a remote working mode while their wages and salaries remained unchanged. Protecting the life and health of the Company's employees, caring for their social well-being is our main and continuing priority.

I would like to end on an optimistic note. No matter what unforeseen circumstances arise, power engineers are always ready to help and make the necessary infrastructure available. Moreover, in the very near future we will have to solve new, even more ambitious tasks to improve the quality of customer service and increase the reliability of energy supply, using the most up-to-date digital technologies and innovative management methods. I'm sure we will deal with this too.

The initiatives undertaken in 2019 brought about a unique grid infrastructure which will lay the foundation for further development of the Company for the next decades.

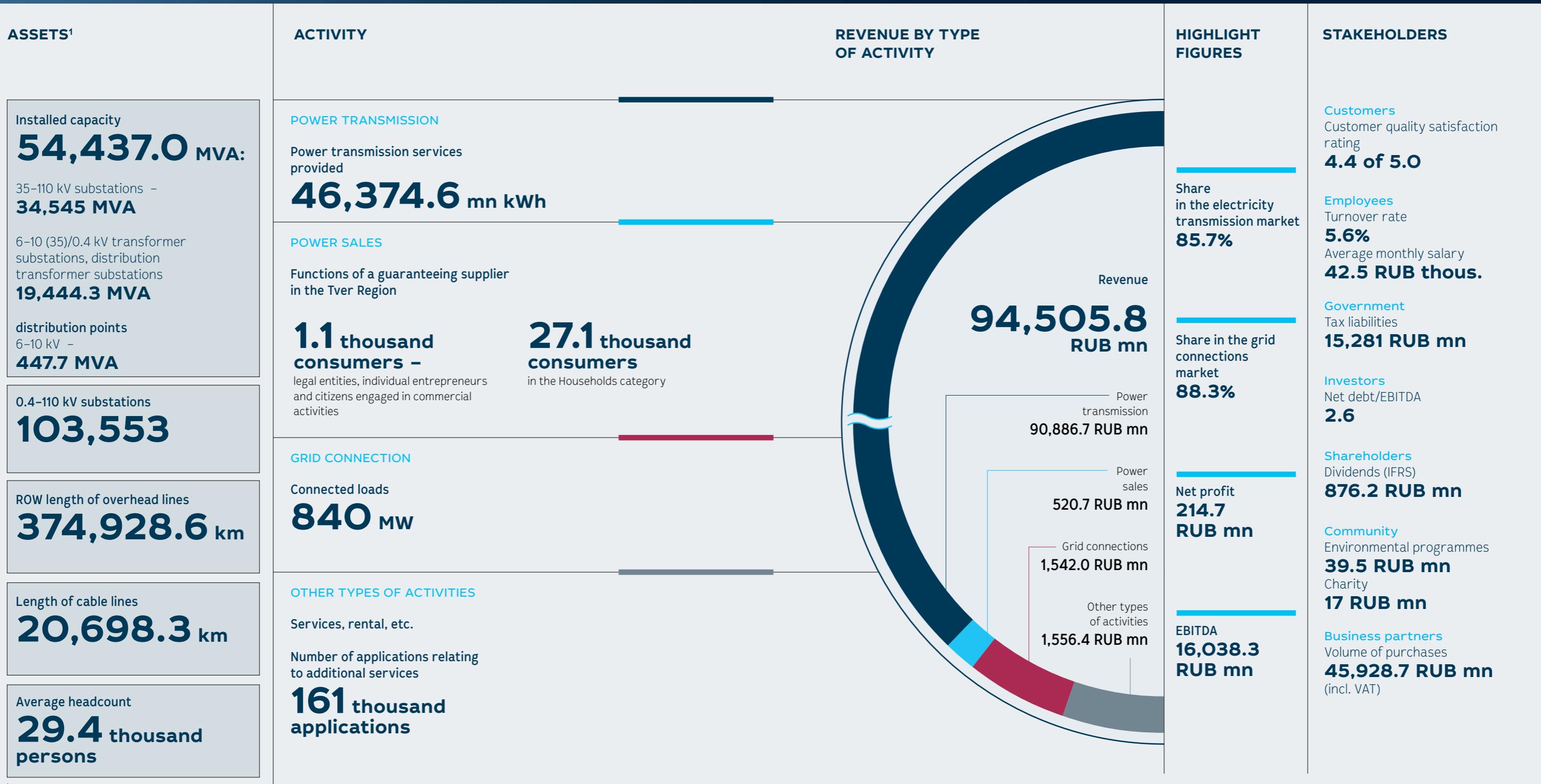
Igor Makovskiy,
General Director,
IDGC of Centre



GRI 102-2, EU1, EU4

BUSINESS MODEL

IDGC of Centre is a leading electric grid company in Russia. The Company does business on the territory of 11 regions of Central Russia, providing electricity to households, major industrial companies and transport companies, agricultural producers, community facilities, making power grid connections of new consumers.



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

INVESTMENT HIGHLIGHTS

The dividend policy strictly observes the balance of interests of shareholders and the development needs of the Company

RUB 876.2 mn
were allocated to dividend payments in 2019

For more details see pages 148-149

Free-float 34%

The Index Committee of the Moscow Exchange assigned a high rating to the free-float shares, which has a positive impact on their liquidity.

For more details see pages 142-148

The status of a key infrastructure company in central Russian regions with a steady demand for services

The Company occupies a dominant position in the economically developed regions of European Russia and plays a key infrastructure role.

For more details see pages 14-15

Corporate Governance Rating at

NCGR 7+

The performance effectiveness of the corporate governance system of the Company is confirmed by RID NCGR at 7+ "Developed Corporate Governance Practice".

For more details see page 99

High media profile 92.5% positive perception coefficient

An analysis of the Company's perception by the investment community (Perception Study) based on the results of the annual survey showed that IDGC of Centre enjoys a higher level of the information disclosure than that of most peer distribution companies.

For more details see page 151

Leader in the number of power grid assets

IDGC of Centre holds a leading position in the length of power lines and substation capacity among distribution companies, while continuing to build up its production potential.

For more details see page 24

CREDIT RATINGS

Standard & Poor's
"BB+", Stable outlook

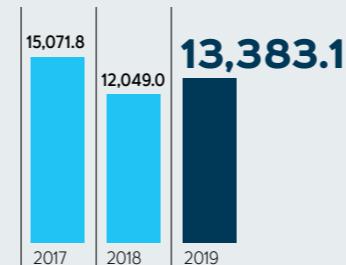
Expert RA
"ruAA", Stable outlook

OUTSTANDING SECURITIES

SHARES

42,217,941,468
ordinary shares with a par value of RUB 0.1 each

Dynamics of capitalisation of IDGC of Centre's shares, RUB mn



LISTING (SHARES)

Second Tier in the Moscow Exchange quotation list

STOCK INDICES

- **MCXSM** Index for Mid- and Small-cap Stocks
- **MOEXRCI** Regulated Company Index
- **MOEXEU** Electric Utilities Index
- **MOEXBMI** Broad Market Index

BONDS

15 RUB bn

is a total par value of series BO-04¹, BO-05 and 001R-01 exchange-traded bonds with a 5- and 10-year maturity on the Moscow Exchange

For more details see pages 149-150

LISTING (BONDS)

Series BO-04
Third tier

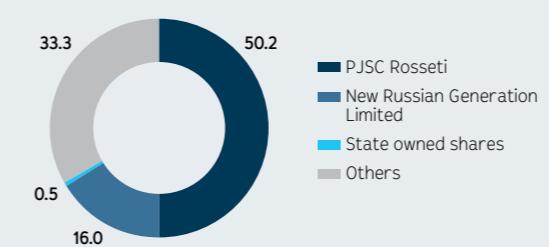
**Series BO-06,
001R-01**

Second Tier in the Moscow Exchange quotation list

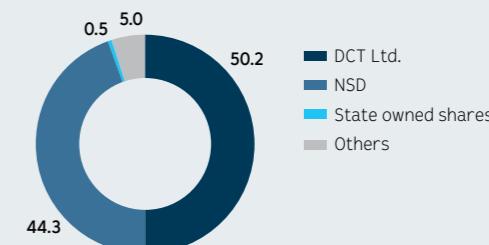
In the first quarter, there were strong price fluctuations, which could be related both to financial results for the previous year and to the appearance of the information in the media about possible large-scale changes in tariff regulation. Since April, shares have shown a strong decline due to news about the financial results of IDGC of Centre for the first quarter and first half of 2019, as well as due to the revision of estimates and recommendations on shares of IDGC of Centre by several investment banks. Since mid-November, a steady positive trend has begun associated with a favourable news background and information on the recommendations of the Board of Directors of IDGC of Centre for the payment of interim dividends.

SHAREHOLDING STRUCTURE

Major shareholders as of 6 December 2019, %



Major shareholders as of 31 December 2019, %



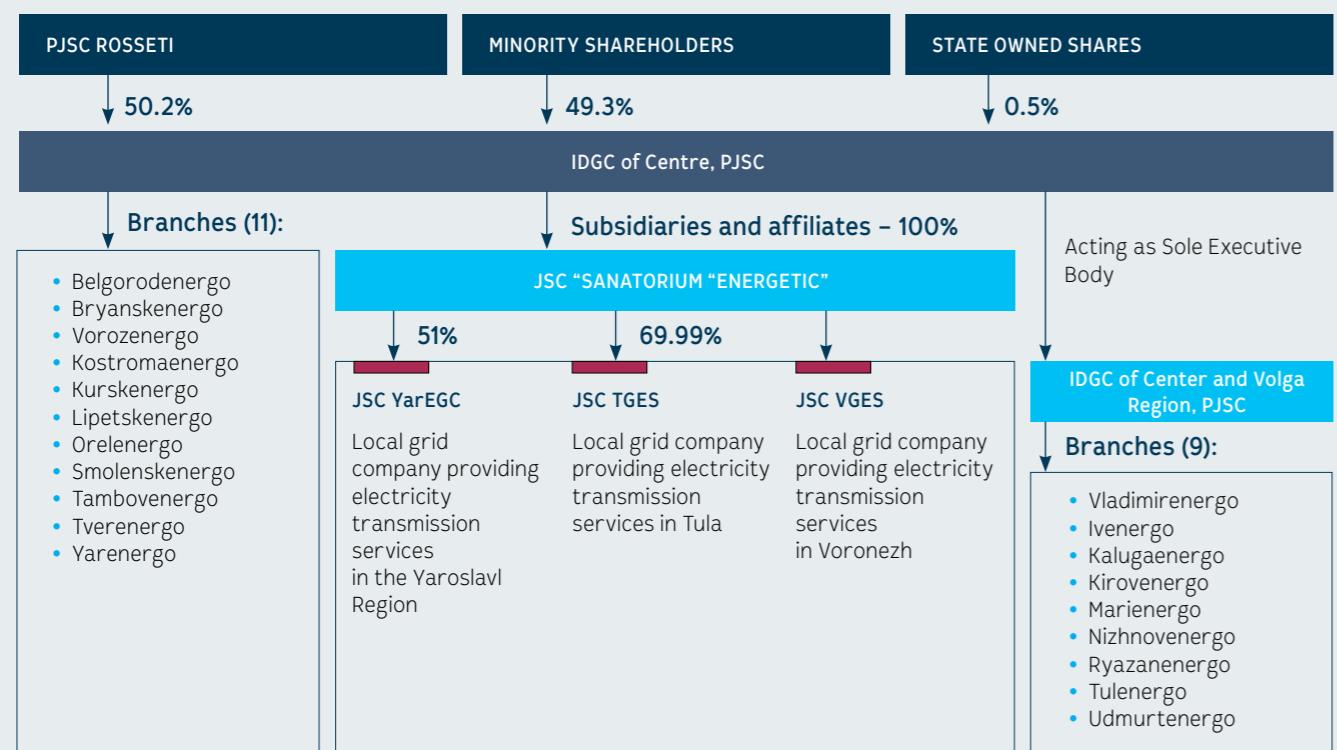
¹ On 19 November 2019, the Company purchased BO-04 series bonds by agreement with their holders in the amount of RUB 5 billion.



GRI 102-6

MARKETS SERVED

CORPORATE STRUCTURE



In 2019, IDGC of Centre acquired indirect control (through a subsidiary, JSC "Sanatorium "Energetic"):

- over JSC TGES - in December 2019, JSC "Sanatorium "Energetic" acquired 69.99% of the share capital of this company, JSC YarEGC (Yaroslavl Electric Grid Company) acquired 1 share;
- over JSC VGES - in November 2019, a contract of sale of 100% of the shares of the company was concluded: JSC "Sanatorium "Energetic" acquired 100% - 1 share, JSC YarEGC - 1 share. The ownership of this shareholding will be transferred later provided a number of conditions envisaged by the contract of sale of securities are fulfilled. Management is implemented through the election of the General Director and a majority on the Board of Directors of JSC VGES.

MANAGEMENT SYSTEMS

IDGC of Centre has the following management systems in place.

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

In its work, the Company is also guided by the **Quality Policy** approved in 2018.

The Energy Management System allows for continuous investigation to get information on power distribution and consumption level at an enterprise, and optimal power consumption both for production and non-production needs.

The Company's Management Systems comply with the requirements of international standards.

IDGC of Centre	Management System/Certificate validity		Certification authority
	ISO 9001 ¹	ISO 50001 ²	
Certificates apply to the entire Company.	22 May 2020	21 August 2021	"Russian Register" Certification Association

In 2019, measures were taken to implement an **environmental management system**. The certification for its compliance with the international standard ISO 14001: 2015 is planned for the second quarter of 2020.

KEY PERFORMANCE INDICATORS

Achieving the overarching development goals of IDGC of Centre is assessed by the system of key performance indicators (KPIs) used by the Company.

The KPI system is established in accordance with the provisions of para. 53 of Art. 15.1 of the Articles of Associations of the Company and decisions of the Board of Directors to approve the composition and target values of KPIs.

Adopted KPIs are tied with variable compensation payable to the management. Every indicator has its weight in the total amount of bonus payments, and quarterly and annual bonuses are paid subject to the achievement of relevant KPIs.

³ Due to the deadlines and the procedures of preparation of reporting that is used as the source of information for the calculation of KPIs were not drawn up and approved by the Company's Board of Directors at the moment the Annual Report is drafted.

⁴ The achievement of "Efficiency of Innovations" KPI will be assessed after summing up the final results and approving the value of the P_{QUALITY_IDP} indicator for 2019, which is an integral part of this KPI, by the Innovative Development Management Commission of PJSC Rosseti.

Annual KPIs

KPIs	Results achieved in 2018	2019 targets	Results achieved ³
Consolidated net cash flow, RUB mn	1,392.5	>-2,802.8)	100% KPI achieved
Reduction of unit operating expenses (costs), %	4.2	>2.0	100% KPI achieved
Increase of utilisation of power supply capacity	Achieved	Achieved	100% KPI achieved
Level of energy losses, %	10.60	<10.26	100% KPI achieved
Reduction in unit investment costs	0.99	<1.00	100% KPI achieved
Increase in labour productivity, %	2.07	>2.00	100% KPI achieved
Efficiency of innovations, %	125	>90	<4
Compliance with the commissioning schedule, %	95	-	100% KPI achieved
Complying with grid connection time-frames	1.0	<1.1	100% KPI achieved
Securing the reliability of services	Achieved	Simultaneously: KPI <1.00 Ki <1.00	100% KPI achieved

² Quarterly KPIs can be found in the full version of the Annual Report available on the Company's website.

**Reduced
number
of TGOs**



Q2

DEVELOPMENT STRATEGY

The initiatives of the first stage
of the Digital Transformation
**outstripped twice
the target**

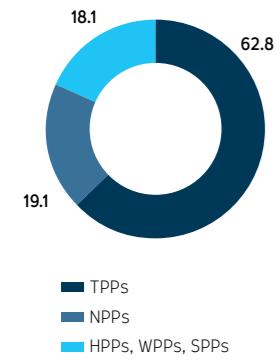
MARKET OVERVIEW

ENERGY SECTOR IN 2019

According to data available for JSC SO UPS by the end of 2019, the installed capacity of power plants of the Unified Energy System of Russia (UES of Russia) totalled 246,342.5 MW representing a 0.6% increase year-on-year.

The electricity consumption in the UES of Russia in 2019 amounted to 1,059.4 bn kWh (+0.4% year-on-year). The electrical capacity consumption in the UES of Russia reached its maximum on 24 January 2019. The achieved figure was 151.7 GW with a year-on-year decline of 0.2 GW.

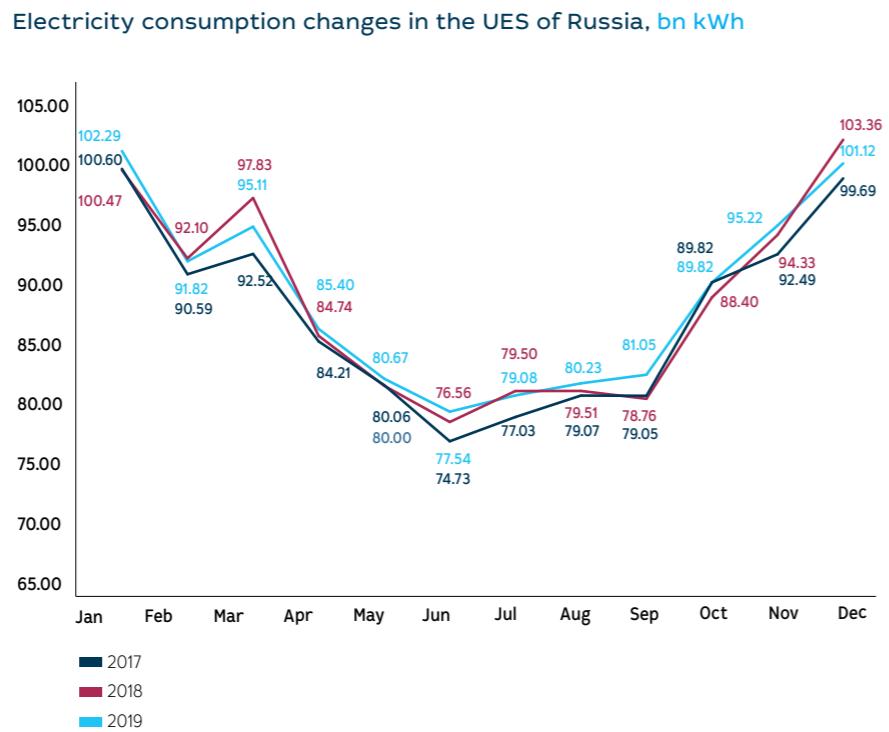
Structure of electrical generation in the UES of Russia in 2019, %



Generation by power plants of the UES of Russia in 2019 amounted to

1,080.5
bn kWh

+0.9%



At the same time, a consumption decrease to 241,945.9 mn kWh (-0.3% year-on-year) was recorded in the Interconnected Power System of the Centre comprising 19 constituent entities of the Russian Federation, with all regions within the Company's footprint. The decrease in annual electricity consumption occurred due to the influence of the temperature factor. The electricity consumption dynamics was mainly affected by the temperature in Q1 2019 when deviations of average monthly temperatures had their maximum.

In 2019, the generation of the UES of Russia was 1,080.5 bn kWh (+0.9% year-on-year).

The major demand for electricity in the UES of Russia in 2019 was covered by thermal power plants (TPP), which generated 679.9 bn kWh (-0.3% year-on-year). The generation of hydropower plants (HPP) in 2019 amounted to 190.3 bn kWh (+3.6% year-on-year). In 2019, nuclear power plants (NPP) produced 208.8 bn kWh within the same period (+2.2% year-on-year). Solar and wind power plants (SPP, WPP) accounted for 1.6 bn kWh (+64.5% year-on-year).

THE MACROECONOMIC FACTORS AFFECTING THE INDUSTRY AND THE COMPANY

Changes in GDP

The volume index of GDP stood at 101.3 %¹ vs 102.3% year-on-year.

The production volume (index) of products and services by core business activities

In 2019, the production index for the activity "Production and distribution of electricity, gas and water; air conditioning" amounted to 100.0% as compared to 2018.

Inflation

In 2019, the consumer price index was 103.0% since the beginning of the year vs 104.3% year-on-year.

Interest rates for loans and borrowings

As at 31 December 2019, the key rate of the Bank of Russia was 6.25%. The resolution adopted by the Board of Directors of the Bank of Russia on 13 December 2019 on reducing the key rate to the given level is pre-emptive and aimed at limiting the inflation risks that are remaining high, particularly in the short-term run.

85.7%
the share of IDGC of Centre in the power transmission market in 2019

+0.1 p.p.

88.3%
the share of IDGC of Centre in the grid connection market in 2019

-0.2 p.p.

LEGISLATIVE INITIATIVES AS THE DRIVERS OF THE DEVELOPMENT OF THE SECTOR

State tariff regulation

- Decree No. 837 of the Government of the Russian Federation dated 29 June 2019 "On Amendments to the Pricing Principles Regarding Regulated Prices (Tariffs) in the Power Industry" specified the calculation of the regulated prices (tariffs) for electricity (power) using a method of long-term indexation of the required gross revenue.
- Pursuant to Decree No. 1450 of the Government of the Russian Federation dated 13 November 2019 "On Amendments to Paragraph 81-5 of the Pricing Principles pertaining to Regulated Prices (Tariffs) in the Power Industry", the Pricing Principles pertaining to Regulated Prices (Tariffs) in the Power Industry were amended as to the calculation of the cross-subsidisation value to be factored in prices (tariffs) for power transmission to non-household consumers.

Overall health of the industry

- The updated State Programme for the Power Industry Development until the end of 2024 was approved by Decree No. 335 of the Government of the Russian Federation dated 28 March 2019 "On Amendments to Decree No. 321 of the Government of the Russian Federation dated 15 April 2014".
- A new version of the Standard for Competition Promotion in the Constituent Entities of the Russian Federation was approved by Order No. 768-r of the Government of the Russian Federation dated 17 April 2019 "On Approval of the Standard for Competition Promotion in the Constituent Entities of the Russian Federation". The purpose of the document is to establish a system-based approach to promoting competition on the regional level, with account taken of special factors relating to the economy of each constituent entity of the Russian Federation.

POSITION IN THE INDUSTRY

IDGC of Centre is a key infrastructure company in Central Russian regions with consistently high demand for the Company's services.

IDGC of Centre is a natural monopoly subject that performs state-regulated activities and has no direct competitors. However, in major cities within the Company's footprint there are other territorial grid organisations (TGOs), which render similar power transmission and grid connection services.

In 2019, the largest TGOs in the area of power transmission services are as follows:

- LLC BryanskEletro (24.9%, Bryansk Region);
- JSC LGEK (14.9%, Lipetsk Region);
- JSC Oreloblenergo (14.7%, Orel Region);
- JSC Kursk Power Grids (14.2%, Kursk Region);
- JSC Tambov Grid Company (13.8%, Tambov Region);
- JSC VGES (6.9%, Voronezh Region)².

In the area of grid connection services, such companies are as follows:

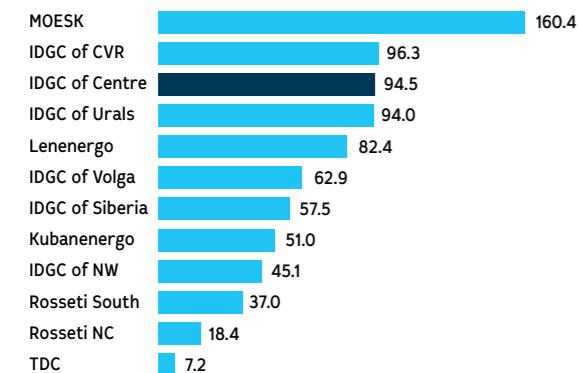
JSC Oboronenergo, LLC United Power Grid Company, LLC BryanskEletro, LLC KFKEnergo, JSC Kursk Power Grids, JSC LGEK, JSC Oreloblenergo, JSC Tambov Grid Company, JSC Tambov Utility Systems, MUE Tvergorenergo, LLC Opora, JSC Rybinsk Municipal Power Grid.

¹ As at 3 February 2020.

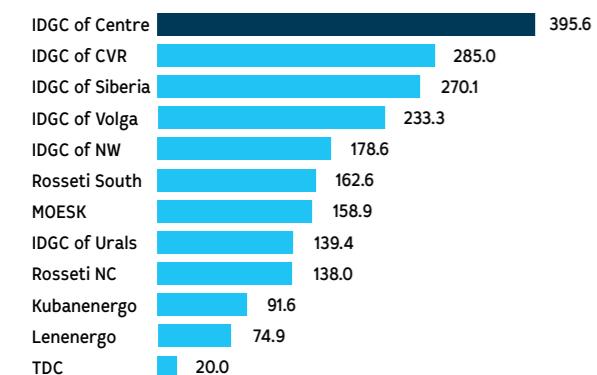
² In November 2019, IDGC of Centre secured control over JSC VGES.

BENCHMARKING STUDY OF THE COMPANIES WITHIN ROSSETI'S GROUP OF COMPANIES

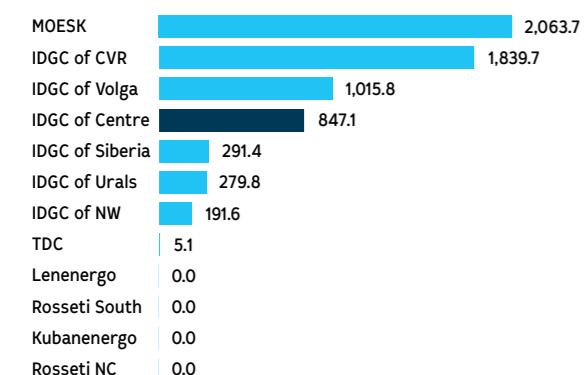
Revenue under RAS in 2019, RUB bn



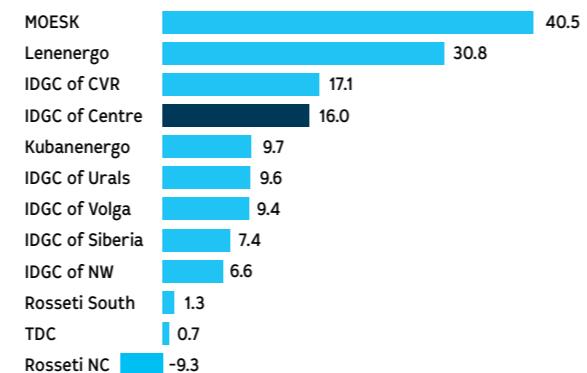
Length of power transmission line routes, thousand km



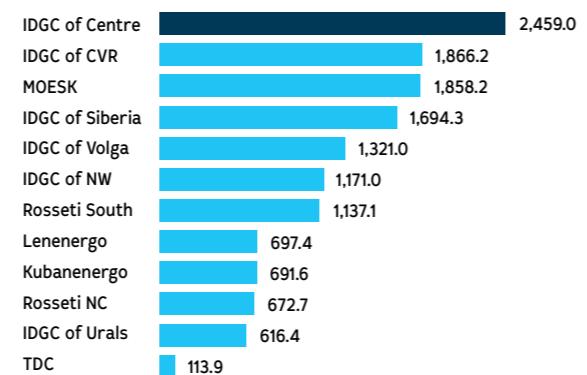
Dividends for 9 months of 2019, RUB mn



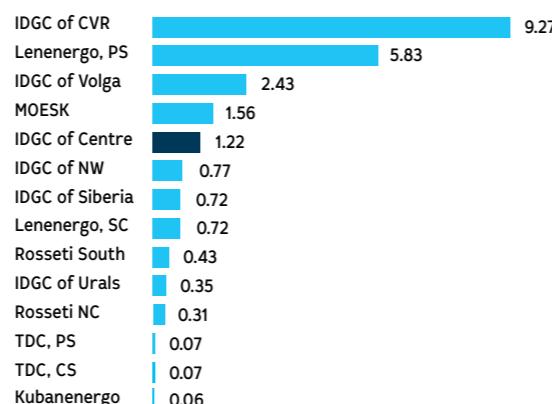
EBITDA in 2019, RUB bn¹



Total number of power grids, thousand conventional units



Trading volume on the Moscow Exchange, RUB bn



IDGC of CVR = IDGC of Center and Volga Region, IDGC of NW = IDGC of North-West, Rosseti NC = Rosseti North Caucasus, TDC = Tomsk Distribution Company; CS = common stock, PS = preference stock.

¹ EBITDA was calculated as Profit before tax + Interest payable + Depreciation & Amortisation = Line 2 300 (RAS Form No. 2) – Line 2 330 (RAS Form No. 2) + Line 6514 (RAS Form No. 2.1) + Line 6 554 (RAS Form No. 2.1) + Line 6 564 (RAS Form No. 2.1).

DEVELOPMENT IN LINE WITH STRATEGIC PRIORITIES

MISSION

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

CARING FOR STAKEHOLDERS' EXPECTATIONS

Investor community

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

Customers

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

Local authorities

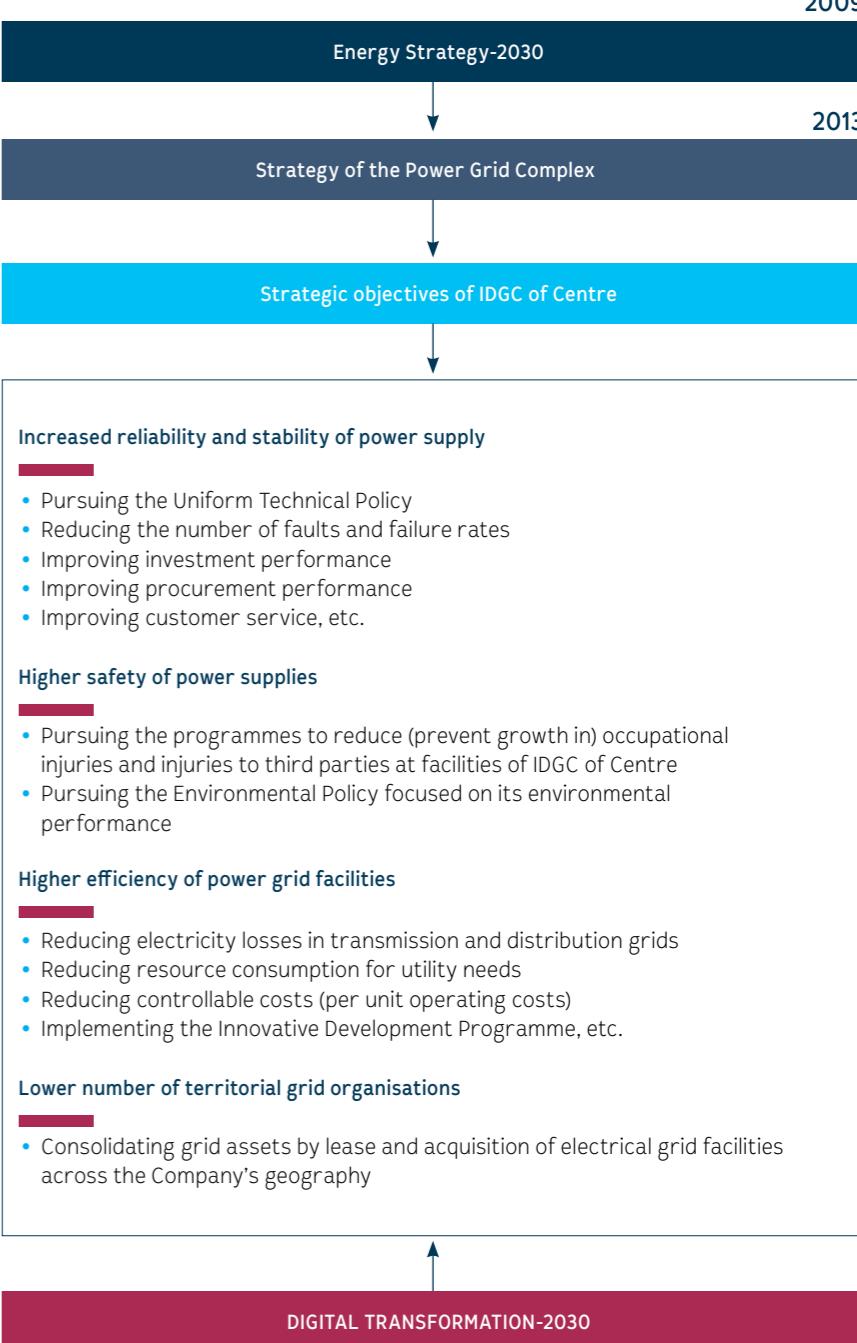
We ensure support for local economies by matching electricity demand in the regional markets with our transmission capacity. We are a key partner of executive authorities across the Russian Federation in planning and delivering regional programmes for the development of territories and have built a reputation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

Employees

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

STRATEGIC OBJECTIVES

In line with the expectations of its major stakeholders, the Company focuses on the following core activities.

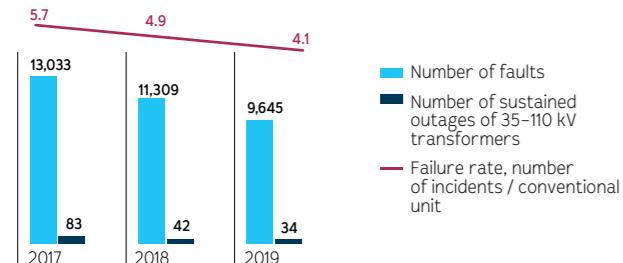


Changing the logics of processes and transition of the Company to risk-oriented management based on digital technologies and big data analysis

DELIVERING THE COMPANY'S STRATEGY

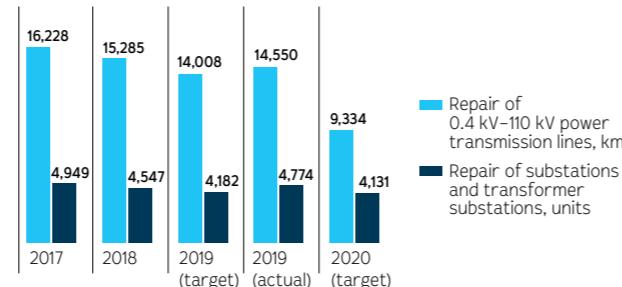
Increased reliability and stability of power supply

Reliability improvement programme



For more details see pages 64–65

Repair programme



For more details see page 65

Improved performance of power grid facilities

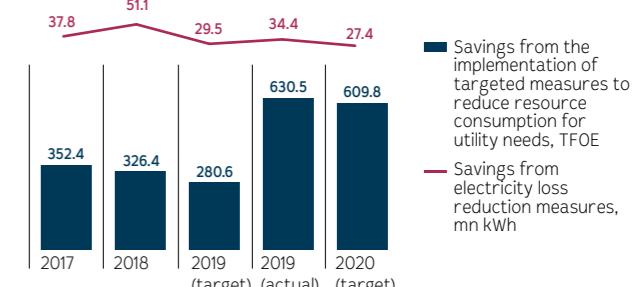
Programme to reduce electricity losses¹

Effect of the Programme

Unit of measurement	2017	2018	2019 (target)	2019 (actual)	2020 (target)
mn kWh	207.3	167.5	404.6	483.8	539.4
RUB mn (excl. VAT)	502.9	433.8	1,125.8	1,376.5	1,952.1

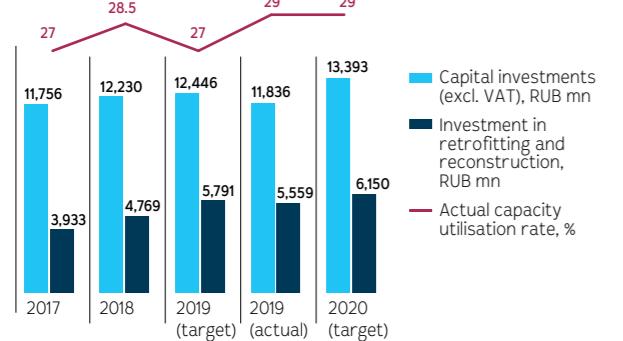
For more details see page 69

Programmes for prospective development of electricity metering systems



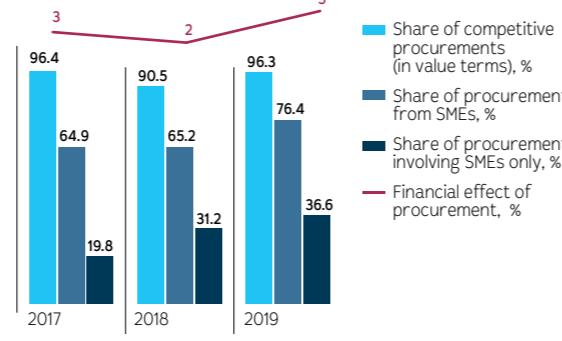
For more details see pages 169–170

Investment programme



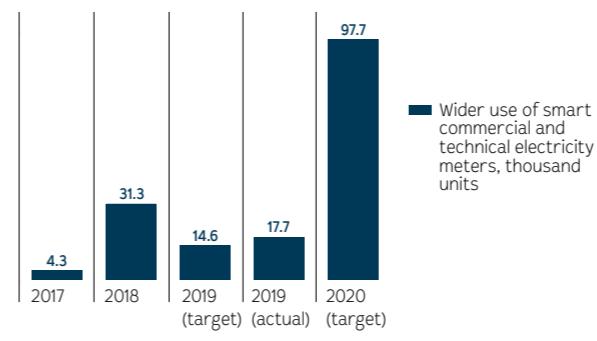
For more details see pages 92–95

Procurement plan



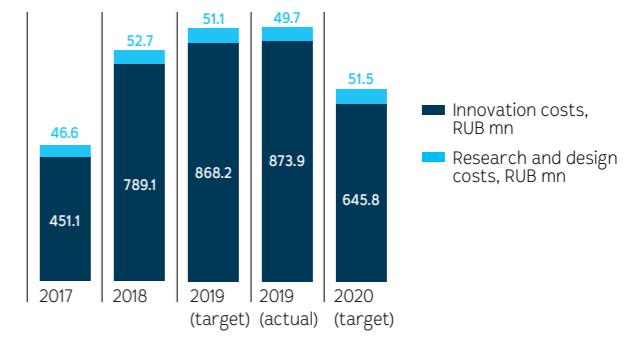
For more details see page 175

Energy saving and energy efficiency programme



For more details see page 50

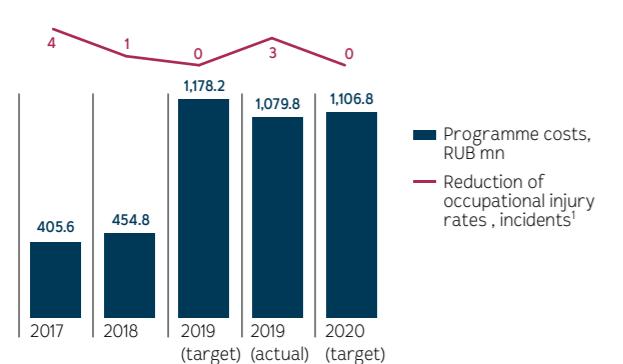
Innovative development programme



For more details see pages 74–76

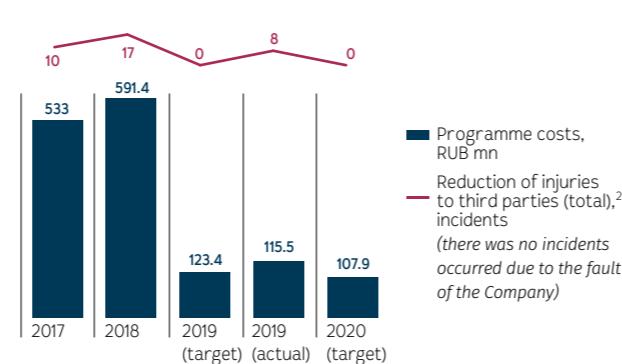
Higher safety of power supplies

Programme to reduce injury risk



For more details see pages 165–166

Programmes to reduce the risk of injuries to third parties at facilities of IDGC of Centre



For more details see page 167

Lower number of TGOs

Consolidation of power grid assets

Items covered	2017	2018	2019 (target)	2019 (actual)	2020 (target)
The size of consolidated grid assets (including previously signed lease agreements)					
Number of grid facilities, conventional units					
	31,391.6	29,610.6			57,837.1
Length of power transmission lines, km	5,638.8	5,321.4			10,600.7
Installed capacity, MVA	880.6	898.0			2,202.9
Measure to consolidate power grid assets within the Company's footprint					Measures to consolidate power grid assets located primarily in the Bryansk, Voronezh, Kursk, Lipetsk, Orel, Smolensk, Tambov, Tver, and Yaroslavl Regions

For more details see page 66

¹ Occupational injuries, including through no fault of Company's officials and victims themselves.
² Injuries to third parties through no fault of the Company.

¹ Savings in roubles are the reduction of unit operating expenses (loss compensation costs) through the loss reduction measures outlined by the Programme.

DEVELOPMENT PRIORITIES

Digital transformation programme

For more details see pp. 29-31

Offering of additional services

For more details see pp. 55, 71-72

Consolidation of TGOs

For more details see p. 66

Improved grid performance and effect on tariffs

For more details see pp. 81-82

Higher financial and economic indicators

For more details see pp. 80-86

Operational efficiency and cost reduction programme

For more details see p. 90

DEVELOPMENT STRATEGY OF ROSSETI'S GROUP OF COMPANIES UNTIL 2030

On 26 December 2019, the Board of Directors of Rosseti approved a new strategy for the holding that specifies the development objectives and trends until 2030.

The Strategy is aligned with the key state documents on strategic planning: the Strategy of Spatial Development of the Russian Federation until 2025, the Energy Strategy of the Russian Federation, the Strategy for Development of the Power Grid Complex of the Russian Federation. Rosseti's Strategy fully complies with current trends and challenges of the electricity market.

The major change in the operation of Rosseti's group of companies is the transition to a business model of modern innovation infrastructure. Promoting the further upgrade of efficiency of current activities aimed at developing the sector and ensuring reliability, quality and availability of infrastructure in the new digital environment are among the main strategic priorities. The Company focuses on the balancing of interests of all parties, among them the government, consumers, shareholders, investors, as well as on the development of new business areas.

The said objectives are planned to be achieved through the key strategy areas:

- technological and innovative development;
- digital transformation;
- business diversification;
- improvement of operational and investment performance;
- promotion of legislative initiatives;
- expansion of international activities;
- development of the talent pool.

Higher reliability and stability of power supply will be achieved not through building-up the physical infrastructure, but via changing the business process logic. Moreover, new technologies will be adopted to ensure on-line acquisition and analysis of data related to all processes. This will allow us to move from the remediation of the consequences of the faults to their prevention and timely localisation; this will result in lower time expenditures higher efficiency of decision-making on managing the grid infrastructure.

DIGITAL TRANSFORMATION AT THE POWER GRID COMPLEX

STRONG START

Five digital grid control centres and city dispatch points were established within the energy companies to manage power grid facilities of the regions and major cities in online mode. In the Belgorod Region, the first digital substation within IDGC of Centre, the Nikolskoye substation, was commissioned and the digital call-centre was upgraded. In the Voronezh Region, the construction of the Sputnik substation began – this will be the first digital power centre in Central Russia built from the ground up. In the Yaroslavl and Belgorod Regions, two digital regions of power grids were commissioned – Tutaevsky RPG and Borisovsky RPG, respectively.

The Company completed preparations for the "Software-based method to detect off-the-meter electricity consumption using Big Data technology" project. The Company also finished the engineering of telemetry solutions at transformer substations, started the installation of the integrated power monitoring system and distributed automation devices in digital RPGs. A mathematical grid model was approved for development.

Belgorod successfully pioneered a project on the installation of an energy storage device in the low-voltage distribution grid. In the Yaroslavl, Lipetsk, and Tver Regions, the Digital Electrician project for electricity metering was put into trial use. In the Lipetsk Region, testing of a unique system for automatic monitoring the condition of power transmission lines using unmanned aerial vehicles and charging stations was completed.

Talking about plans for 2020, the Company is primarily focused on further accelerating the digital transformation. Next year, the construction of the Sputnik digital substation in the Voronezh Region and three digital grid control centres will be completed. The Main Analytical Centre of IDGC of Centre and 16 digital RPGs will be commissioned and the Digital Electrician project for electricity and operation metering will be implemented.

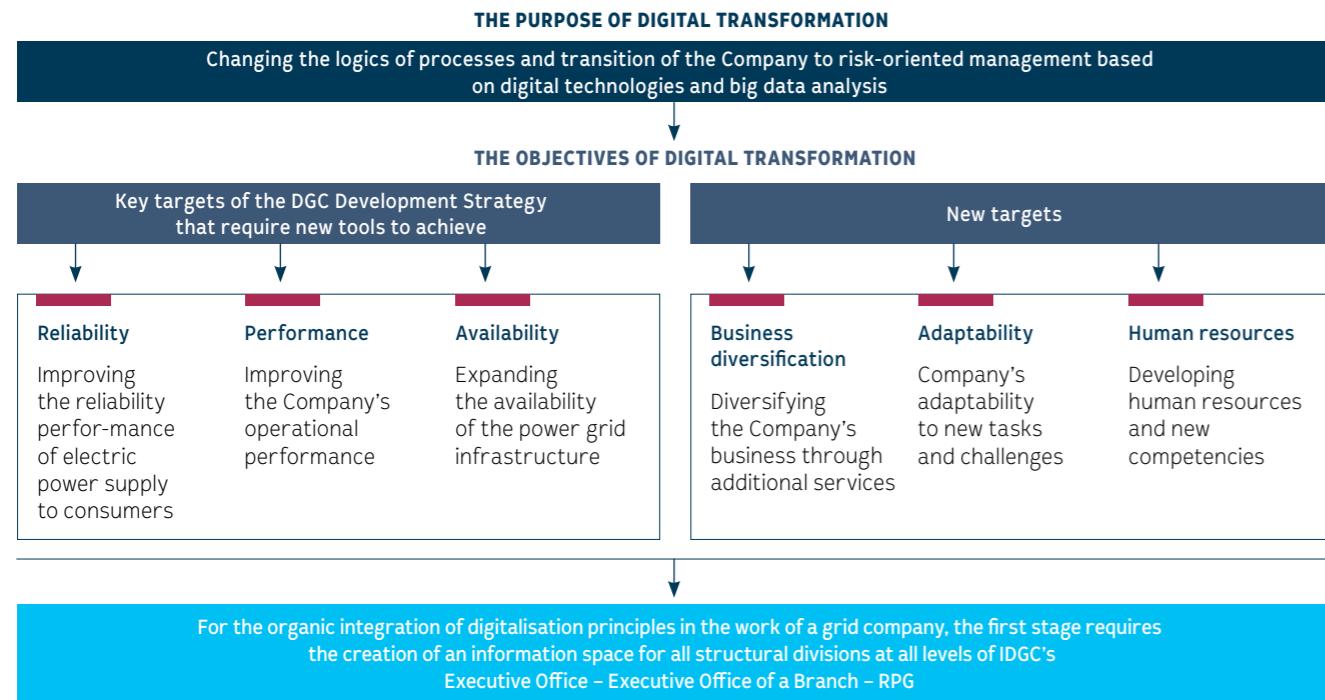
The "Software-based method to detect off-the-meter electricity consumption using Big Data technology" project will move to the stage of trial operation. Thus, the first stage of digital transformation will be almost complete. Proactive work will enable the Company to be one of the first in the industry to take full advantage of the effects of digital transformation.

Thanks to digital transformation, IDGC of Centre will utilise up-to-date engineering solutions, which will ensure higher rates of reduction of unit operating and investment costs, streamline the development and maintenance of the infrastructure, and optimise the process control structure. It must be said that digitalisation will give a positive boost to the regional development. After all, among other things, it offers incident-free power supply, limited rates of the tariff growth, higher availability of the regional power grid infrastructure and, thereby, enhanced investment appeal for the business.



"In 2019, by launching, and in some regions even by completing, all key projects of the first stage of digital transformation, we enjoyed a strong start and spurred the work on the implementation of the Digital Transformation Concept. As of today, up to 30% of all activities of the first stage scheduled for five years have been performed – twice as much as it was initially planned".

**Igor Makovskiy,
General Director
at IDGC of Centre**



STAGES OF THE DIGITAL TRANSFORMATION PROGRAMME

Zero stage – completed
First stage: 2019–2023

MANUAL CONTROL
Decision making: Human
Execution of a decision: Human

The first stage is the foundation for all subsequent modifications. At the first stage, certain starting conditions are formed, the Company concentrates on the introduction of already tested technologies that form the hardware and information basis for further development. Selection of algorithms for processing multi-level data arrays is started. The generation of the technological basis is in progress, will be completed by 2024.

Second stage: 2023–2026

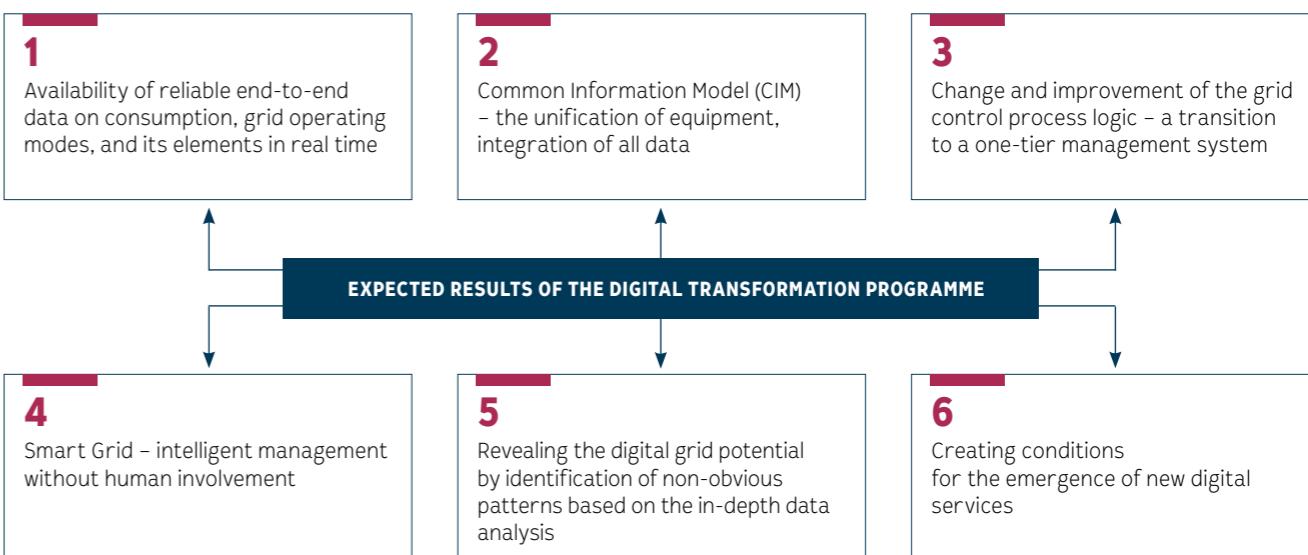
AUTOMATION
Decision making: System + human
Execution of a decision: Human

A fundamentally different level of grid reliability will be provided by the algorithms for processing the initial data from the meters and grid monitoring devices. At this stage, a data array is created as a single Big Data source. We plan to form a single source of structured data and create the infrastructure for their correct consolidation and processing. Before that we used disaggregated data from various systems, so the next step would be the integration of existing systems using a corporate Enterprise Service Bus (ESB). The grid stability will be also improved by further development of technology projects implemented during the first stage of digital transformation, with regard to the level of existing technologies.

Third stage: 2026–2030

TOTAL DIGITAL TRANSFORMATION
Decision making: System
Execution of a decision: Human

This stage involves studying the Big Data work procedures by the Company's employees, implementing the protocols for employees based on new data sources and grid control process solutions using custom-made software tools. The employee's responsibilities include operations of any complexity implying the analytics of high-level generalisation, while the man-hours required for initial data processing will be almost zero. Big Data will refocus the human resources to addressing the strategic development and innovation objectives instead of the routine administration of standard processes. Big Data technologies should form the basis for risk-oriented management. This stage involves further adoption of technologies from previous stages and new ones, which came from recent scientific and technological developments, extension of knowledge on existing technologies.



OBJECTIVES OF THE FIRST STAGE OF THE DIGITAL TRANSFORMATION PROGRAMME AND RESULTS ACHIEVED BY THE COMPANY IN 2019

Targets by 2024	Results of 2019
Provide 100% coverage of IDGC's territory by digital radiocommunication (DMR)	14%
Create control centres for 0.4–220 kV grids in each region	5
Create eight digital substations	1
Implement the "Digital electrician" technology	The software is under development
Create 18 digital RPGs	Tutaevsky RPG Borisovsky RPG
Test the technology for using energy storage devices	100%
Update GLONASS system within the entire vehicle fleet	100%
Implement the Enterprise Resource Planning System (ERP), including losses and production asset management	The Production Asset Management System (PAMS) has been upgraded
Develop the information security system	Preparation of terms of reference to update the project
Complete the testing of advanced technologies	Completed as related to storage devices

RESULTS EXPECTED BY 2030

-50%
for SAIDI/SAIFI indicators

+10%
for assets life

-30%
for operating expenses

+50%
for grid connection availability

-15%
for capital costs

ACTIVITIES UNDER THE FIRST STAGE OF THE DIGITAL TRANSFORMATION PROGRAMME



 **11**
Grid Control Centres

 **5**
City dispatch points

 **8**
Digital Substations

 **18**
Digital RPGs

 **1**
Energy Storage Device

 Single Contact centre
(covers all regions)

 Software-based method
to detect off-the-meter electricity
consumption using
Big Data technology

 Automated diagnostic system
for overhead lines with the use
of UVAs (R&D)

Projects across all regions within IDGC of Centre's footprint

Digital Electrician

For more details see pp. 60-61

GLONASS for vehicles

For more details see pp. 36-37

Digital radio
communications

For more details see pp. 48-49

ERP Development
Production Asset Management
System (PAMS)

For more details see pp. 52-53

Development of Personnel
Competencies in Digital
Transformation

For more details see pp. 40-41

Smart metering and grid
parameter transmission

For more details see p. 50

Development of Additional
Services for Outdoor Lighting

For more details see p. 55

Cybersecurity

For more details see pp. 56-57

GRID CONTROL CENTRE



15
modern
dispatch points
will be established
instead of 306
existing facilities

Increased reliability and improved power

grid performance and better automation level
of power sector control

Establishing modern grid control centres (GCC) will ensure grid control on an entire new level. Scheduled activities include reconstruction of 11 dispatch points of grid control centres and five City Dispatch Points in cities with a population of over 100 thousand people.

GCC dispatchers will be able to control and analyse the performance of equipment of all voltage classes, grid parameters, and electrical power quality online.

2019

Infrastructure development and dispatch point reconstruction were completed. The reconstruction of five dispatch points was completed:

- three City Dispatch Points in Belgorod, Kostroma, and Stary Oskol;
- two grid control centres in Bryanskenergo and Voronezhenergo branches.

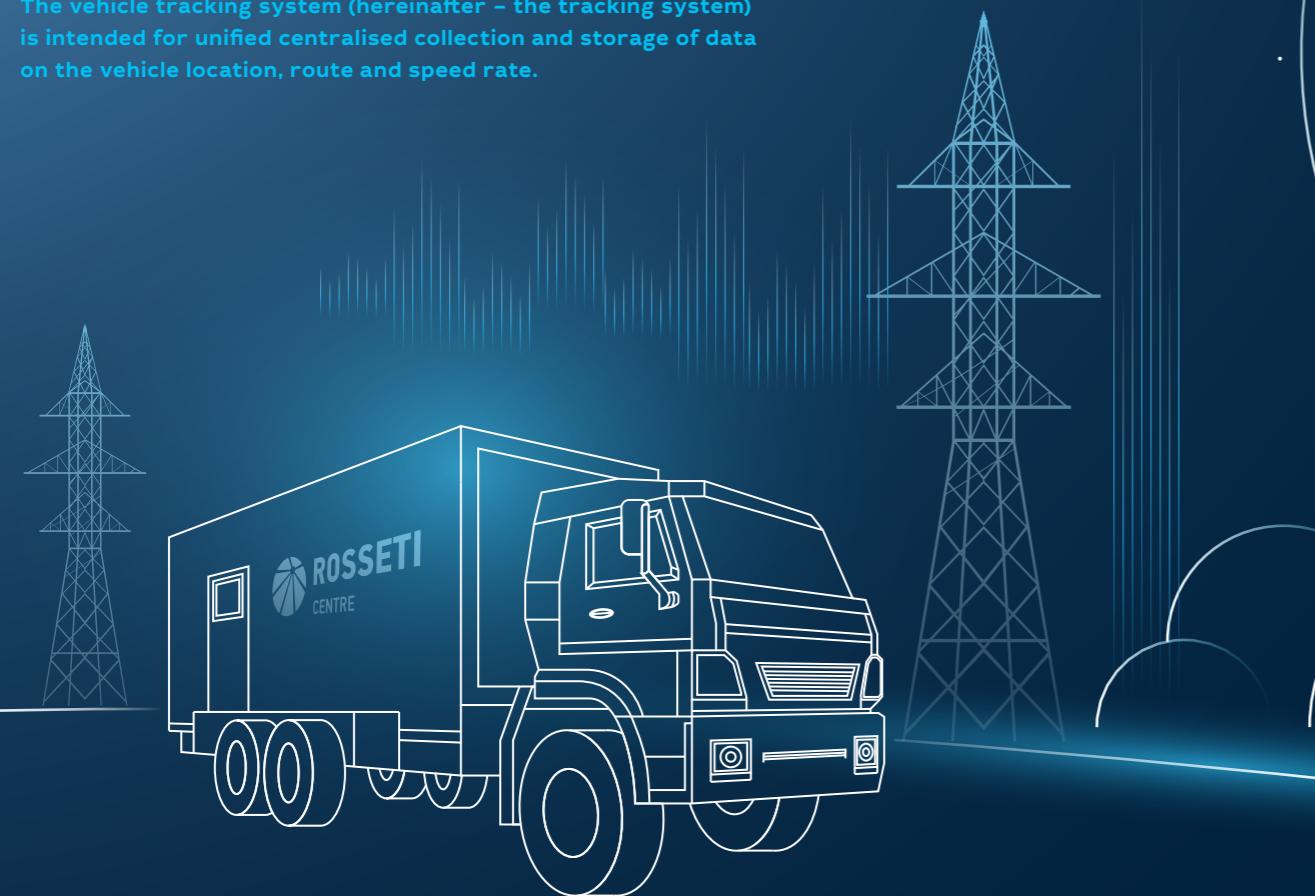
Multi-functional workplaces with a standard set of dispatcher's tools were developed to ensure the interchangeability and optimum GCC schedule.

2020

Commissioning the dispatch points. Step-by-step transfer of operating management functions from RPGs. Reconstruction with expansion of GCC dispatch points in Belgorodenergo, Kurskenergo, Orelenergo, Kostromaenergo branches is underway.

GLONASS. VEHICLE TRACKING SYSTEM

The vehicle tracking system (hereinafter – the tracking system) is intended for unified centralised collection and storage of data on the vehicle location, route and speed rate.



Vehicle location monitoring

Automated monitoring of actual performance indicators (mileage, fuel rate, engine operating time, routes made)

Monitoring of vehicle utilisation efficiency indicators

Mitigation of human factor impact on business processes related to control and accounting of vehicle operating expenses

In 2019, the project was finalised:

- technical specifications for implementing the automated navigation and dispatching control system for vehicles were prepared;
- installation and commissioning activities were implemented stepwise along with equipment delivery, thus allowing for the simultaneous operation of up to 2 thousand specialists.

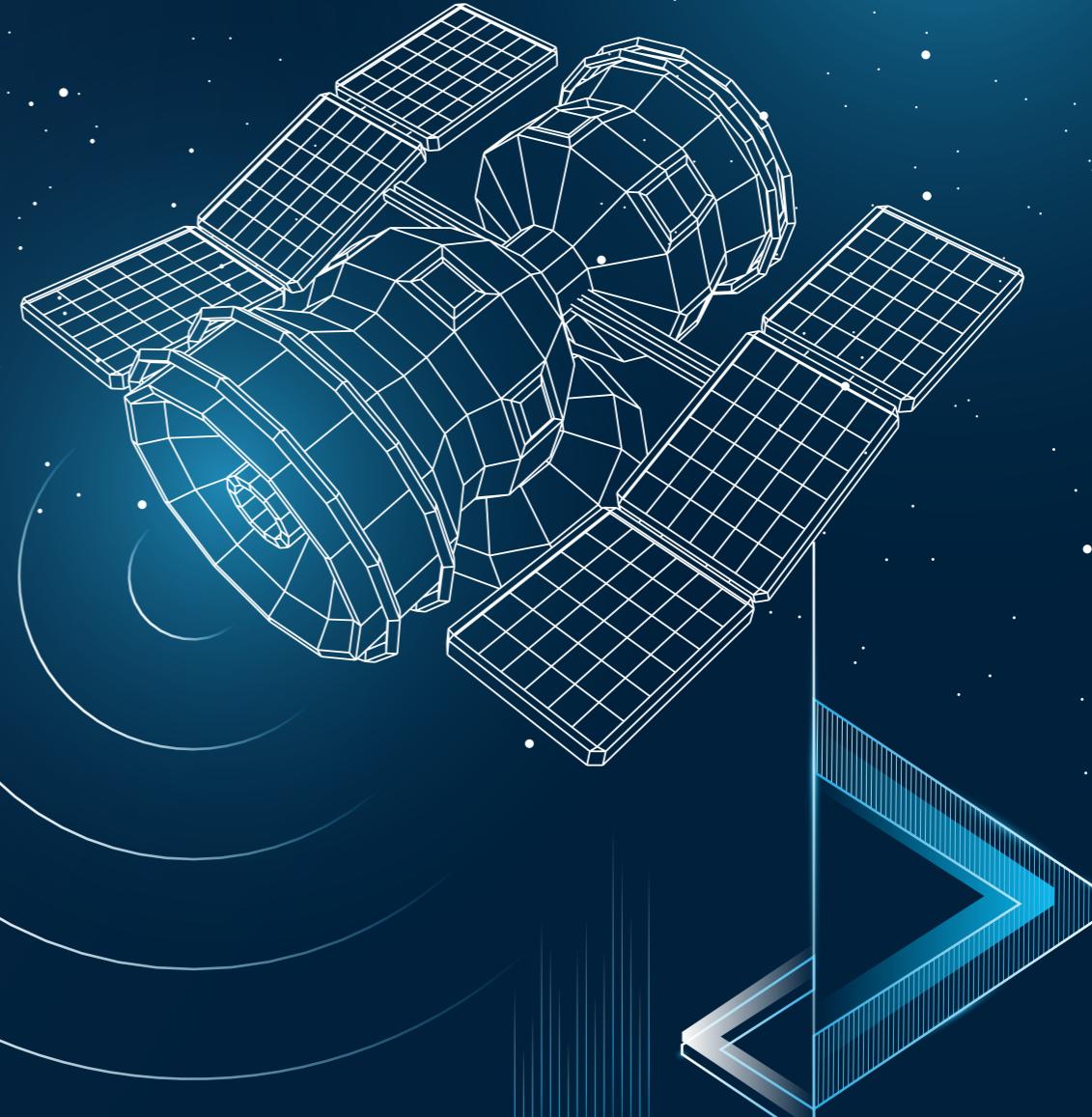
The implemented modern automated navigation and dispatching control system for vehicles is a geographically distributed telematic network based on the centralised hardware-software complex and a set of data management subsystems across the branches of IDGC of Centre.

Reduction of the operating fuel costs for motor vehicles

by 3.3%

due to the operational management, optimisation and decrease of total mileage of motor vehicles

The telematic network is based on advanced technologies for positioning the monitoring objects by means of the GLONASS satellite navigation system, data transmission via GSM/GPRS and DATA CSD communication channels, broadband access and data transmission via high speed channels.



ENERGY STORAGE DEVICES

The Energy Storage System (ESS) is an installation that includes a battery, a network interface device (inverter), and a control system. ESS is a full-fledged element of a digital electric grid: it can be monitored, controlled and integrated into the overall electric grid control system.



Implementation stages

2019

The first ESS Project was implemented in the Central Federal District. An innovative storage device of 10 kW capacity and 53.3 kWh storage capacity was installed in Belgorod as part of the reconstruction of a 0.4 kV overhead line section.

Advantages: the storage devices are charged within minimum consumption periods (night-time and daytime), while at a time of maximum loads (evenings) they supply electricity to the grid and thus compensate voltage losses.

Utility Consumption Management System



2020

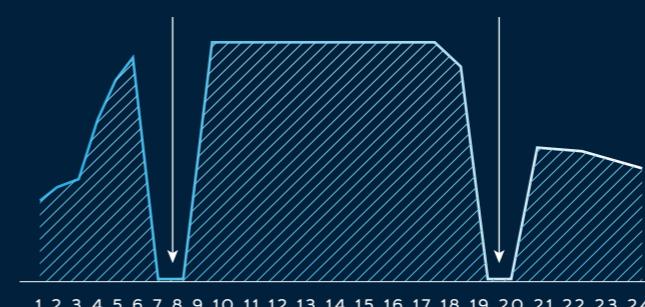
- Replicating the pilot project results
- Implementing the project with the use of a storage device at a RPG repair and production facility
- Developing the ESS utilisation concept as part of additional comprehensive services for consumers

2020-2021

- Using the ESS at problem grid sections, RPG repair and production facilities and as part of additional comprehensive services for consumers
- Formulating the concept and assignment for a pilot project of self-generated power supply using the ESS for remote inaccessible low-power consumers
- Pilot project of the self-generated power supply using the ESS for remote inaccessible low-power consumers

Target daily load curve

Peak hours - Minimum power



Improved power quality



Reduced grid connection timeframes

with a possibility to relocate the ESS to other facilities after the reconstruction

Supporting reliability for socially significant facilities and remote & almost inaccessible customers

Reducing the cost of electricity consumed for the utility needs of branches

Expanding the pool of additional services

DEVELOPMENT OF PERSONNEL COMPETENCIES IN DIGITAL TRANSFORMATION



DIGITAL SUBSTATIONS

The digital substation is one of the key elements of a smart grid. This is a substation with high-level process control automation, information technology and control systems where all the data exchange is processed among the substation elements, as well as the substation management processes are implemented in digital form based on IEC - 61850 protocols (MMS, GOOSE, SV).

The primary power equipment of the digital substation and the components of the information technology and control systems are developed, both in terms of function and design, to support the digital data exchange.

Reduction of the time-frame for design, installation and commissioning of substation equipment
by 5-7%

Reduction of the substation operating expenditures
up to 15%

Better observability
and diagnosability of secondary systems of power facilities

Implementation stages

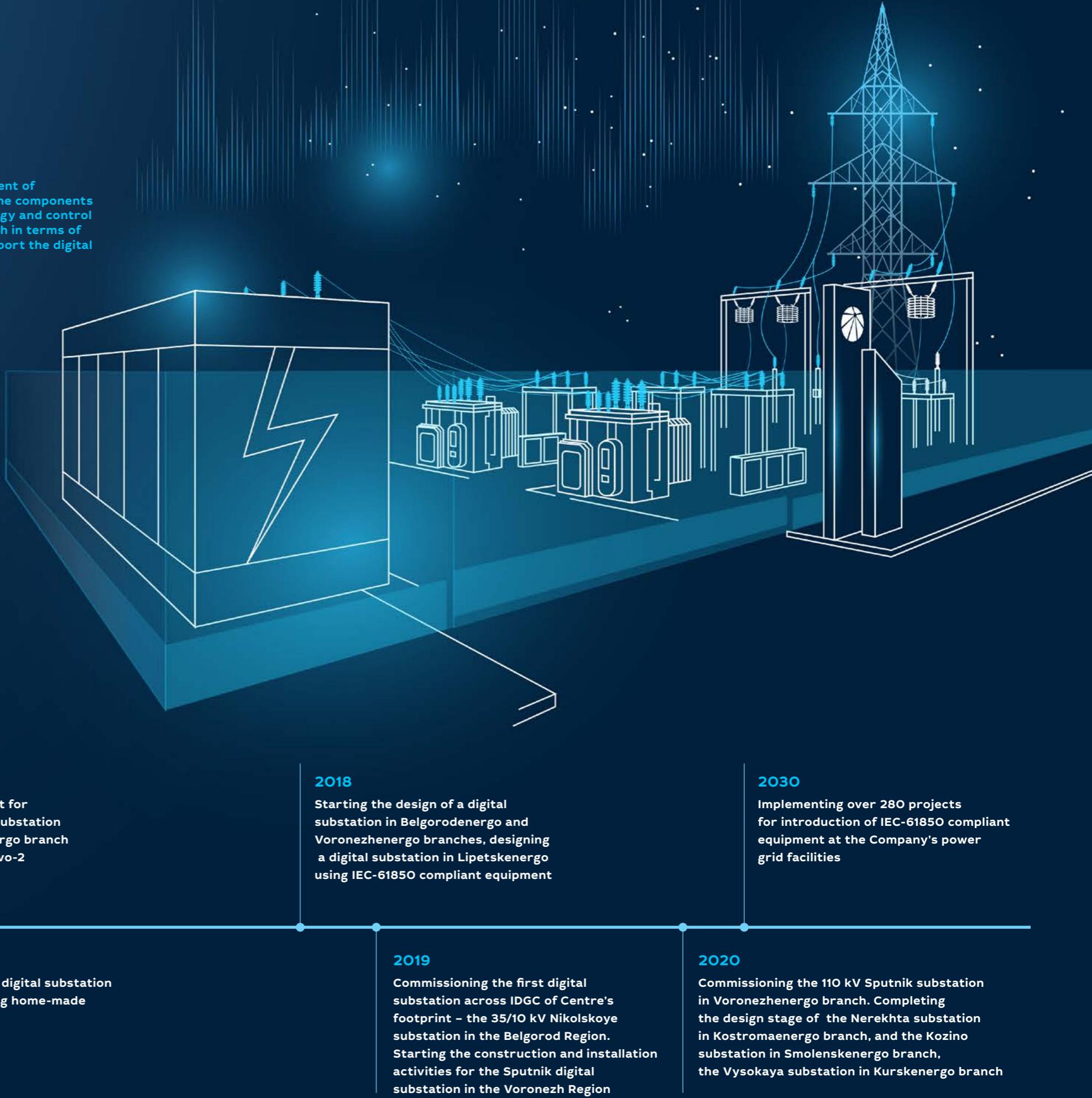
2014
Implementing a pilot project for introduction of the digital substation technology in Smolenskenergo branch based on the 110 kV Yartsevo-2 substation

2015-2017
Introducing the digital substation technology using home-made equipment

2018
Starting the design of a digital substation in Belgorodenrgo and Voronezhenergo branches, designing a digital substation in Lipetskenergo using IEC-61850 compliant equipment

2019
Commissioning the first digital substation across IDGC of Centre's footprint – the 35/10 kV Nikolskoye substation in the Belgorod Region. Starting the construction and installation activities for the Sputnik digital substation in the Voronezh Region

2020
Commissioning the 110 kV Sputnik substation in Voronezhenergo branch. Completing the design stage of the Nerekhta substation in Kostromaenergo branch, and the Kozino substation in Smolenskenergo branch, the Vysokaya substation in Kurskenergo branch



POWER LINES AUTOMATIC MONITORING SYSTEM

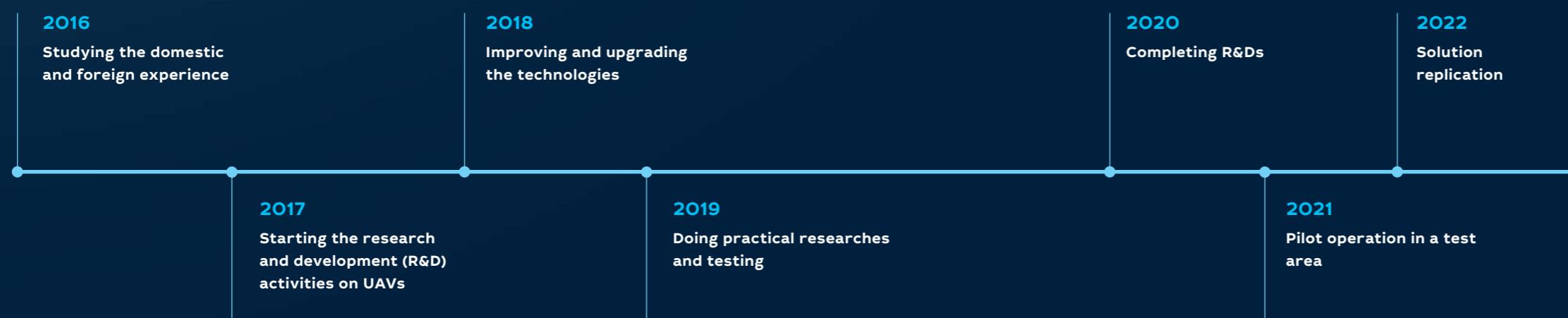
UNMANNED AERIAL VEHICLE (UAV)

A unique research and development project implemented by specialists of IDGC of Centre. The system carries out an automated diagnostics of overhead lines.

Once the flight is over and the UAV lands to the charging station, it transmits data to the control centre's computer for automatic processing by its software package. The software system generates recommendations on the repair required for electrical equipment. All defects detected are ranked by categories depending on repair urgency:

- during a shift (critical defect);
- during a month;
- before the autumn-winter period.

Implementation stages



The time to locate power line faults and identify a defect is reduced by at least **1.5 times**

Annual savings will amount to **277.2 RUB thousand** in the pilot branch (Lipetskenergo) after the start of replication in 2022

DIGITAL RPG. INTEGRATED POWER MONITORING SYSTEM

The project provides for installation of smart electricity metering devices and ensuring automated data collection in the electricity metering system by means of unified protocols and data transmission technologies in 18 pilot digital regions of power grids (RPG)

The project is the local part of the "Smart Metering and Grid Parameters Transmission" initiative with its specific time and implementation site.

Project objectives

1 Make sure that all 0.4 kV feeder lines of 10/0.4 kV TSS of digital RPGs are equipped with technical metering devices with remote data collection

2 Provide each digital RPG with fiscal metering devices with remote data collection from consumers' delivery points at a level not less than 20%

3 Reduce electricity losses in digital RPGs and improve their observability

Implementation stages

2019
Increasing the share of smart technical metering devices with remote data collection
up to 70.7%

Increasing the share of smart fiscal metering devices with remote data collection
up to 19.2%

2020
Ensuring that 100% technical metering devices with remote data collection are made available

Increasing the share of smart fiscal metering devices with remote data collection
up to 27.8%

Total reduction of actual electricity losses across all RPGs
from 14.86%

to 11.27%
in 2021



DIGITAL RADIO COMMUNICATIONS

The DMR-based system of digital radio communications is one of the structural elements of a grid control centre.

Digital radio communications are used by dispatchers of unified grid control centres (GCC) for prompt talks with all services maintaining normal power grid operation and also in case of emergency.

The project aims to develop the Company's own unified full coverage dispatch radio system.



Implementation stages

2019

- Signing 11 branch contracts for design and survey works
- Developing Radio Communications Coverage Probability Maps, given the 100%-coverage of the constituent entities of the Company's branches
- Approving the following design objects: 695 power facilities, 11 GCCs, City Dispatch Point
- Developing the design and estimate documentation
- Handling procurement procedures, signing the contracts for equipment supply and conducting construction, installation and commissioning works

2020–2021

Conducting construction and installation works at priority facilities of RPGs

2021–2023

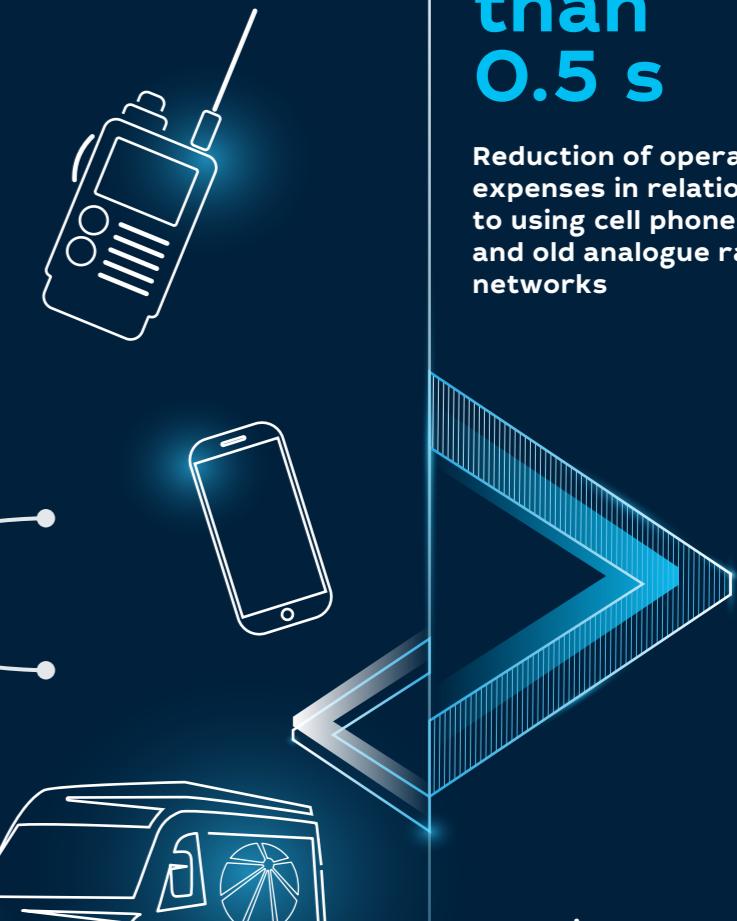
Completing the construction and installation works at the remaining facilities according to the branch's targeted programmes

2019–2023

Regional frequency planning and ensuring electromagnetic compatibility

2020–2023

Providing digital communication channels (main and backup) to the installation sites of base stations and repeaters



Providing personnel and vehicles with digital radio aids, if lacking

2023

Establishing a unified digital radio communication system

Instantaneous communication
less than 0.5 s

Reduction of operating expenses in relation to using cell phones and old analogue radio networks

Improving reliability, ensuring communication
in case of emergency and during emergency response activities

SMART METERING AND GRID PARAMETER TRANSMISSION

The project provides for installation of smart electricity meters and set-up of automated data collection in the electricity metering system through unified protocols and data transmission technologies

The project objectives

1 Satisfy the requirements of Federal Law of the Russian Federation No. 522-FZ dated 27 December 2018

2 Provide integrated automation of electricity metering

3 Create an infrastructure for data acquisition and provide consumers with access to the minimal functionality of the electricity metering systems

4 Reduce electricity losses in branches' grids and improve their observability

Implementation stages

2019
Over 105 thousand smart electricity meters were installed and commissioned through involving own (the investment programme) and non-tariff (energy service contracts) sources

2020–2024
Installation of smart electricity meters and equipment for the set-up of data collection from such meters for satisfying requirements of Federal Law No. 522-FZ dated 27 December 2018 and for reducing the excess losses

Share of smart meters with remote data collection in 2019

11.4%

in 2024

54.5%

Actual electricity losses in 2019

10.23%

in 2024

8.73%

SOFTWARE-BASED METHOD TO DETECT OFF-THE-METER ELECTRICITY CONSUMPTION USING **BIG DATA** TECHNOLOGY

The project pilot zone includes five digital regions of power grids (RPG) in Smolenskenergo, Belgorodenergo, Kostromaenergo, and Voronezhenergo branches.

The solution is based on the software product that allows multilevel analysis of big data arrays both from the Enterprise Resource Planning System (ERP (SAP software) existing in the Company, and from external sources to identify consumers and electricity metering points with off-the-meter consumption.

Implementation stages

2019
Manual testing of algorithms

2020
Concept formulation, development and introduction of the software module in the pilot zone

2021
Software product testing and revising, organisation of works of crews on RPG metering based on work results

The following technologies are planned to be implemented at the first stage:

- automation of the analysis of the parameters of all metering points of electricity consumers for the probability of identifying off-the-meter consumption;
- a subsystem for issuing and monitoring the execution of tasks given;
- a subsystem for analysing the efficiency of the algorithm and electricity metering crews.

At the second stage of the project, the algorithm of analysis will be added with the information from the external environment with the respective development of machine learning algorithms.

Reduction of electricity losses in the pilot zone by 3.94% by 2024 and decrease of the non-productive working time

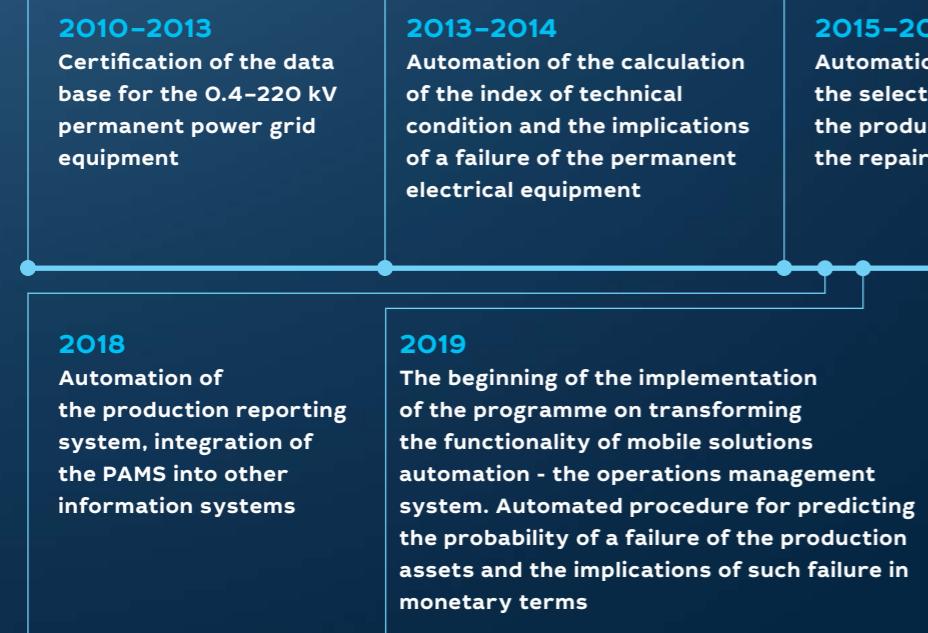
Higher labour productivity of blue-collar staff

Higher net electricity supply in million kWh by 0.36% by 2024

PRODUCTION ASSET MANAGEMENT SYSTEM

The PAMS is based on equipment certification, filing of statistical data on availability and performances of the equipment, as well as continuous updating of data on its technical condition and current parameters. The PAMS allows for the automation of the most production processes of the Company.

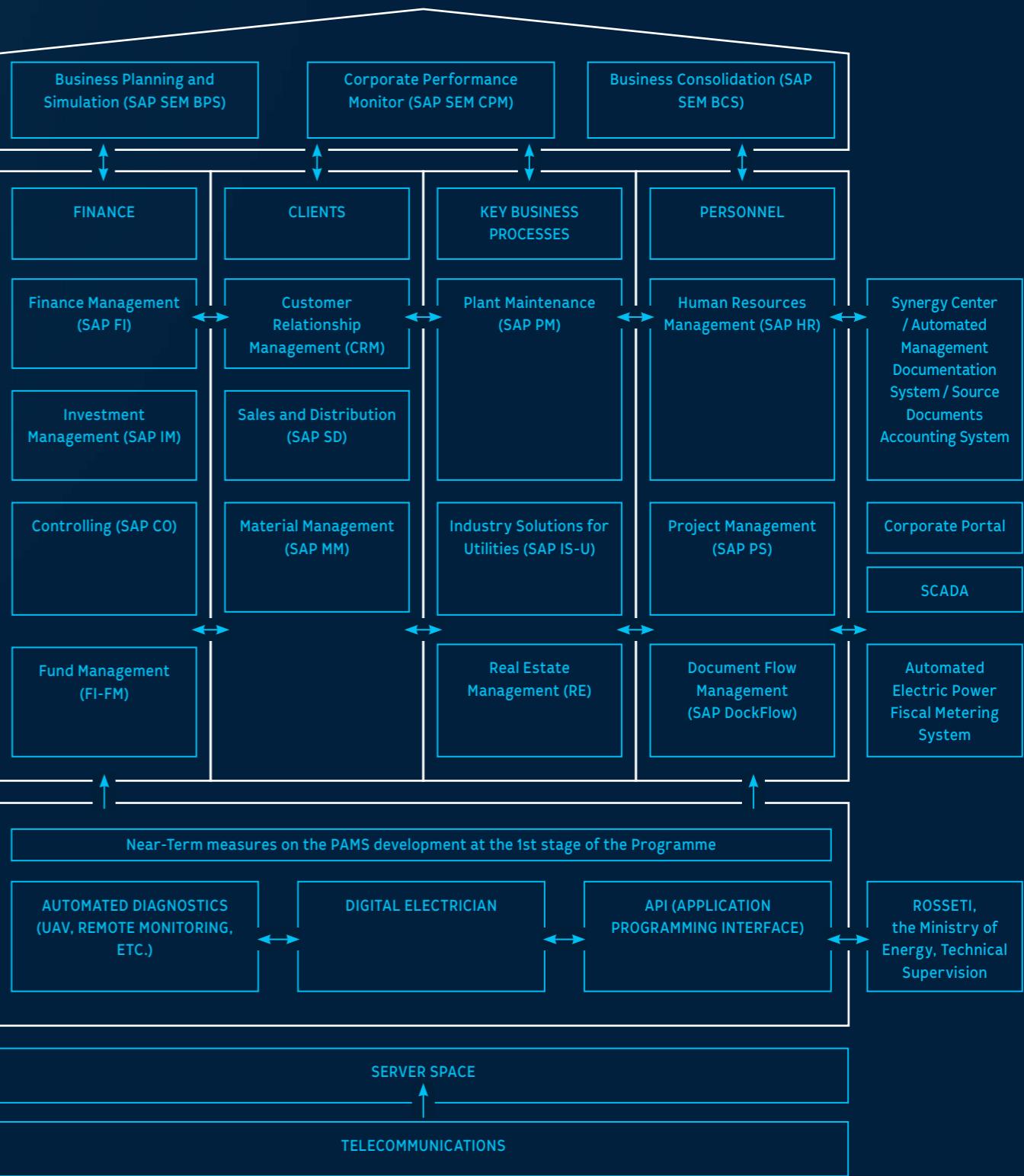
Implementation stages



A set of measures and technologies adopted under the PAMS project will allow:

- optimising costs for equipment maintenance and for handing their failures;
- ensuring transparency and feasibility of the solutions taken and effective interaction between the divisions, the administration office, shareholders, and the government authorities;
- improving the efficiency of planning and controlling of production assets management tasks;
- reducing the lead time of key production tasks, in this case, the indicative annual saving will exceed 550 thousand man-hours for systematic production operations of different personnel categories;
- improving consumers power supply reliability.

Integration of the Company's business processes under the PAMS development



DEVELOPMENT OF THE CONTACT CENTRE

Since 2004, the Contact Centre has been serving consumers in the IDGC of Centre's area of responsibility - 11 regions of Russia with a population of 13.6 million people. More than 1 million calls / requests are received and processed per year. The Centre provides twenty-four-hour access to phone support and offers quick response to customer requests, availability and promptness of remote and interactive services.

Advantages

	Before upgrading	After upgrading
	Nortel Contact Center Manager	Infinity Call-center X
Number of operator's workstations	40	110
Number of simultaneous calls	90	up to 300
Number of IVR channels	12	up to 300



Implementation stages

2019

Implementation of the project on upgrading and extending the Contact Centre

Putting new Infinity software and hardware complex of the Contact Centre into operation



Effects achieved

- Transferring calls from dispatchers' telephones at the RPGs of branches to the Contact Centre will reduce the time spent by RPG dispatchers to eliminate outages. The system average interruption duration index (SAIDI) will reduce by 1.5%.

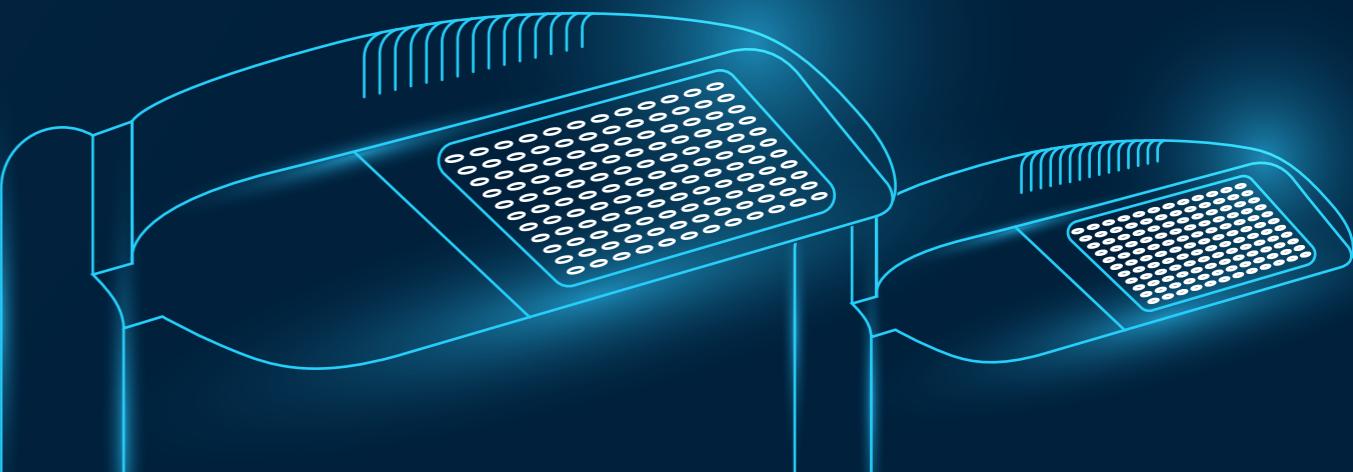
- The main effect is a decrease in the consumer request response time and therefore an increase in the efficiency of eliminating process-related disturbances in the power grid complex.

DEVELOPMENT OF ADDITIONAL SERVICES FOR OUTDOOR LIGHTING

To update the equipment of the Contact Centre and expand the service area, a domestic Infinity-based solution (Infinity Trade LLC) was chosen.

With the development of lighting technologies and possibility of economical use of power resources, there is a need to upgrade outdoor lighting systems and switch to LED sources. The Company explores the existing outdoor lighting systems, determines the basic parameters and develops technical and economic measures to upgrade the outdoor lighting.

Throughout the entire project on upgrading the outdoor lighting in the Belgorodenergo branch, the number of light points in its service area exceeded 210 thousand (at the end of 2019). All light points (100%) are energy-efficient and more than 13 thousand points are of LED type. Over 65% of the lighting fixtures are controlled by an automated system that provides remote control over the operation of lighting fixtures and power consumption in outdoor lighting.



Implementation stages

2019

The Belgorodenergo branch installed about 800 new light points equipped with special individual control units

2020

Continuing the trend to increase the share of new-generation LED lighting fixtures and improving their control system

Saving power

consumption in outdoor lighting due to several illumination modes (general (night) and optimal (the lights are off from 11 p.m. to 6 a.m.)), control of the light flux and reduction of power of individual lighting fixtures

CYBERSECURITY

Creation of the Integrated Information Security System

Project objectives

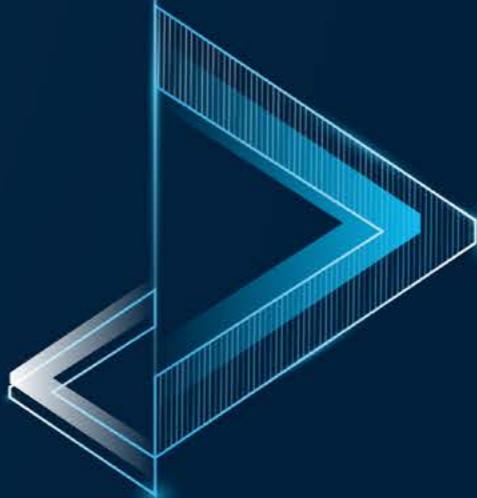
- Development and implementation of the uniform policy to ensure information security
- Creation of the vertically integrated information security system
- Arrangement of control over the state and assessing the efficiency of the integrated information security system; implementation of upgrading measures
- Keeping of the information-related personnel ready for responding to information security incidents, identifying, preventing and mitigating the consequences of cyberattacks
- Prediction, detection and assessment of information security threats and their sources
- Development and implementation of up-to-date methods and means to support information security
- Maintenance of the integrated information security system in the state resistant to existing and newly detected threats
- Change of the technological processes
- Import substitution when implementing the information security products

Implementation stages



The main performance indicator

is the number of digitalisation facilities of the Company's information infrastructure, provided with the information security products and included in the integrated information security subsystems.



DIGITAL RPG. RECONSTRUCTION AND AUTOMATION OF THE DISTRIBUTION GRID

Digital RPG has a distribution grid with a high level of automation, provides real-time observability of the grid, allows for self-diagnosis and self-recovery functions and also for smart electricity metering.

Reconstruction and automation of the distribution grid are used to increase work efficiency through utilising the innovative automation and digitalisation technologies and involves the creation of one or more digital RPGs in each constituent entity of the Russian Federation.



Implementation stages

2019

- Starting the buildup of distributed automation for a 6-10 kV grid
- Starting pilot projects on a full scale at Borisovsky RPG of Belgorodenergo branch and Tutayevsky RPG of Yarenergo branch
- Total for two projects:
 - thirty eight 6-10 kV overhead lines with a length of 899.4 km were upgraded;
 - 42 reclosers, 114 controlled disconnectors, which can instantly disconnect a damaged grid section in case of emergency and reserve most of the load, and also 66 sets of short circuit indicators were installed and put into operation

2020

- Windup of reconstruction and automation of the distribution grid in the pilot RPGs
- Practicing of the technologies applied and confirmation of the achieved effects for their further rolling-out to other RPGs

Reduced time
to identify
a damaged section
of an overhead line

Reduced time
to locate
and determine
the type of damage

Reduced time
to organise
the maintenance
and repair
works

Reduced duration
of power supply
interruption
and undersupply of power
to the consumers

Reduced response time
of field crews

Reduced
operating
costs
for production activities
and reduced dispatcher load

Improved
reliability
of power supply
to consumers

Improved
personnel
safety

Improved
observability
and controllability
of 0.4–10 kV facilities

DIGITAL ELECTRICIAN

"Digital Electrician" project is aimed at automating the work of mobile crews and is integral to establishing digital RPGs. The concept of digital electrician technology implies the introduction of software and hardware solutions to automate the work of employees in the field conditions.

Field service crews, maintenance and repair crews are equipped with mobile devices for recording inspection rounds, inspections, diagnostics, as well as for documenting security measures in organising and conducting the works.

Using a mobile device, crews can image equipment defects and transfer the data to the server, thereby allowing for quick planning of the works necessary for urgent troubleshooting. The mobile device provides a possibility to issue an electronic work permit in order to ensure the safe organisation of works, take video of the crew briefing, take photographs before and after the repair, and record the time and materials spent.

With the created operations management system, dispatchers and the corporate management at all levels can see the location of crews, cars and special vehicles, warehouses and material stocks on an electronic map, which ensures efficient redistribution of resources in case of emergencies and restoration of power supply to consumers in the shortest time.

Three areas of functional solutions under "Digital Electrician" project

1 Operation (repairs, diagnostics)



2 Operations management



3 Electricity metering



Electrician for electricity metering devices

2019

Software for monitoring the condition of metering devices and taking readings was developed.

The software was trialed in the Lipetskenergo, Tverenergo and Yarenergo branches

2020–2024

It is planned to scale the software to other Company's branches with the expansion of software functionality, namely:

- automation of employees' activities in planning, implementation and monitoring of inspection rounds of electricity metering points;
- monitoring and accounting of works performed, recording of readings of consumers' metering devices, tool-aided checks, registration of the fact of the off-the-meter consumption;
- automation of the data transfer from the mobile devices to the ERP calculation system for putting together the power consumption volumes;
- generation of reports in automatic mode and on demand as related to activities the automation is introduced into

2024–2030

It is planned to equip all production crews of the Company with mobile devices and to develop further the "Mobile Electrician" project

Reducing
the time for drawing up
and preparation of the production documentation

Improving
the transparency of personnel time utilisation



Improving
productivity and efficiency
of the Company's operating personnel

Improving
safety
during works

15%
drop in the number
of emergency situations

6%
reduction in the period
of grid connection services

3

PERFORMANCE REPORT

Over
3.3 thousand km
of power transmission lines and
426 MVA of capacity commissioned

Over **38 thousand**
consumers connected
to the Company's grids

ASSETS

ASSETS OPERATED BY IDGC OF CENTRE AS OF 2017–2019¹

Asset	2017	2018	2019
0.4 kV–110 kV substations	103,005	102,472	103,553
Installed capacity (total), MVA	54,577.0	54,010.8	54,437.3
35–110 kV substations	q-ty	2,370	2,370
	MVA	34,456.9	34,410.2
6–10 (35)/0.4 kV transformer substations, distribution transformer substations	q-ty	99,763	99,237
	MVA	19,682.6	19,167.3
6–10 kV distribution points	q-ty	872	865
	MVA	437.5	433.3
ROW length of 0.4–110 kV overhead lines, km	386,327.0	372,394.6	374,928.6
110 kV and above overhead lines, km	21,607.1	21,232.3	21,472.1
35 kV overhead lines, km	30,385.6	29,860.0	29,822.9
6–10 kV overhead lines, km	172,313.9	170,003.6	170,491.2
0.4 kV overhead lines, km	162,020.3	151,298.7	153,142.3
Length of 0.4–110 kV cable lines, km	18,616.5	20,509.4	20,698.3
110 kV and above cable lines, km	36.4	31.1	33.5
35 kV cable lines, km	46.0	49.0	49.6
6–10 kV cable lines, km	10,041.0	10,627.5	10,808.2
0.4 kV cable lines, km	8,470.7	9,801.8	9,807.0

Reliability of the power grid assets in 2017–2019 (6 kV and above)

Indicator	2017	2018	2019	Change 2019/2018
Human errors	1	0	0	0
Sustained outages of 35–110 kV transformers	83	42	34	-8 -19.0%
Average interruption time (for 6–110 kV feeders), hours	2.34	1.83	1.61	-0.22 -12.0%

Failure rate indicators in 2017–2019

Indicator	2017	2018	2019	Change 2019/2018
Number of faults in the 110 kV and above grid	1,276	1,052	807	-245 -23.3%
Failure rate for 6 kV and above grid, failures per 1 thousand equipment units	5.7	4.9	4.1	-0.8 -16.3%

The indicators were improved through the implementation of programmes aimed at higher reliability of consumer power supply: removal of injury-risk equipment, increased reliability of the distribution grid operation, enhanced lightning-surge proofness, replacement of porcelain insulation with glass one, replacement of oil-filled bushings.

The Company ensured the required reliability and services quality rate in line with the regulatory acts. The reliability targets were fully met.

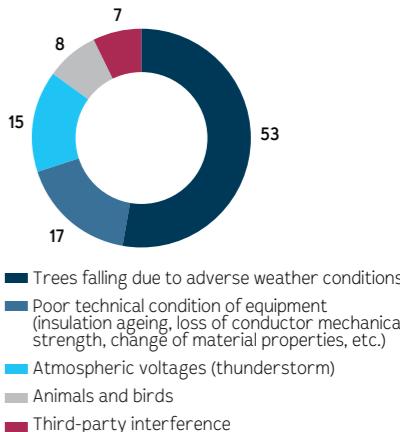
The Company showed a year-on-year reduction of the system average interruption duration index (SAIDI) from 2.7 to 1.6 and the system average interruption frequency index (SAIFI) from 1.3 to 1.0 through execution of all the scheduled programmes. **EU28, EU29**

Measures to improve the reliability of the power grid complex operation implemented in 2019:

- The programme for clearing the right-of-ways of overhead lines covered 13,006.7 ha;
- The programme for widening the overhead line right-of-ways covered 864.5 ha;
- The repair programme was fully executed;
- The Technical Inspection Programme was fully implemented in 2019 and covered 45,419 facilities, including operational and administrative buildings and structures;
- Quarterly monitoring of the failure rate in the Company's branches, as well as of the overhead lines that had power interruptions three or more times during the selected period. If such facilities are available and (or) the failure rate rises, the previously developed reliability improvement programmes, operational maintenance and repair programmes (M&R) shall be corrected to prevent further increase of the failure rate.

Operational programmes for 2020 are aligned with finished regulatory and technical documents, technical condition of 0.4–110 kV power grid facilities, as well as the failure rate analysis.

Major failure causes in 2019, %



REPAIR PROGRAMME

The purpose of the annual Repair Programme is to prepare the Company's Power Grid Complex for the heating season, enhance repair and operation efficiency, and improve reliability of the power grid facilities.

The Repair Programme costs in 2019 totalled

2,660.5 RUB mn

Progress indicators of the Repair Programme in 2017–2019

Indicator	2017	2018	2019
Overhaul of overhead lines, km	16,227.8	15,284.8	14,549.7
35–110 kV overhead lines, km	4,453.4	4,472.1	4,115.0
0.4–10 kV power transmission lines, km	11,774.4	10,812.7	10,433.7
Clearing of the overhead line right-of-ways, ha	11,708.6	24,224.8	13,006.7
Chemical treatment, ha	–	–	1,165.0
Overhaul of transformers and autotransformers	1,762	1,496	1,476
35–110 kV power transformers	45	105	38
0.4–10 kV power transformers	1,717	1,391	1,438
Overhaul of switching devices	4,163	4,014	2,852
Repair of 6/10–0.4 kV TSS (CTSS, PTSS, DSS)	4,949	4,547	4,774
Costs¹, RUB mn	2,066.9	2,688.5	2,660.5
35–110 kV substations, RUB mn	315.3	354.8	346.9
35–110 kV overhead lines, RUB mn	272.7	144.0	152.4
0.4–20 kV distribution grids, RUB mn	1,038.9	1,183.5	897.2

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

¹ Repair costs, excluding maintenance.

CONSOLIDATION OF POWER GRID ASSETS

In 2019, the Company continued their efforts towards the consolidation of power grid assets. The direction of these efforts were set by the Development Strategy for the Power Grid Complex of the Russian Federation approved by Decree No. 511-r of the Government of the Russian Federation dated 3 April 2013. The Strategy envisages the consolidation of operating territorial grid organisations and reduction of their total number while improving the reliability of consumers' power supply and restraining the growth of tariffs for electricity.

A target functional model of regional power grid complexes was developed in complying with the above task. By 2022, Rossetti's Group of Companies will have taken control over all power grid assets and territorial

grid organisations of the municipal, regional and federal form of property, thereby establishing the unified state territorial grid companies in regions to promote technical and tariff policies.

The transactions made for the consolidation of power grid assets have the following significant economic benefits for the regions:

- raising additional funds (budget or non-budget) by the region to cover more social projects;
- higher tax revenues of the consolidated regional budget due to the increased share of the paid out income tax;
- optimising the regional consumers' tariff load through a decrease in electricity losses accounted in the tariff regulation;
- improved reliability of power supply to regional consumers.

One of the key measures for increasing the share of power transmission and distribution market within the Company's footprint is the consolidation of power grid assets controlled by independent TGOs.

In 2019, the Company took control over the largest TGO in the Voronezh Region – JSC VGES with 26 thousand power grid facilities (in conventional units (c.u.)).

The project will help bring in the unified technical policy across the entire power grid "vertical structure": from the region to a city and district. It will work for the quality and reliability of the power supply to consumers, as well as the availability of the services provided. Practical effects of the modifications made during the project will become distinctive in the nearest future as it has already happened in other areas where the Company realised the consolidation.

Monitoring the volumes of consolidation of power grid assets in 2017–2019¹

IDGC of Centre	2017		2018		2019				
	MVA	km	c.u.	MVA	km	c.u.	MVA	km	c.u.
Grid facilities acquired	84.3	375.6	2,748.1	2.1	5.5	98.2	32.0	16.8	246.3
Grid facilities leased	704.8	4,979.0	27,339.8	878.5	5,254.1	29,254.9	1,128.6	5,489.2	31,327.4
Other (permanent rights of ownership and use)	30.7	245.2	845.3	0.0	0.0	0.0	1,023.6	5,026.1	25,987.9
Other (temporary rights of ownership and use)	60.8	39.0	458.4	17.4	61.8	257.5	18.8	68.6	275.5
Total	880.6	5,638.8	31,391.6	898.0	5,321.4	29,610.6	2,203.0	10,600.7	57,837.1

In the reporting period, the number of TGOs within the Company's footprint reduced from 139 to 134 (down by 3.6%).

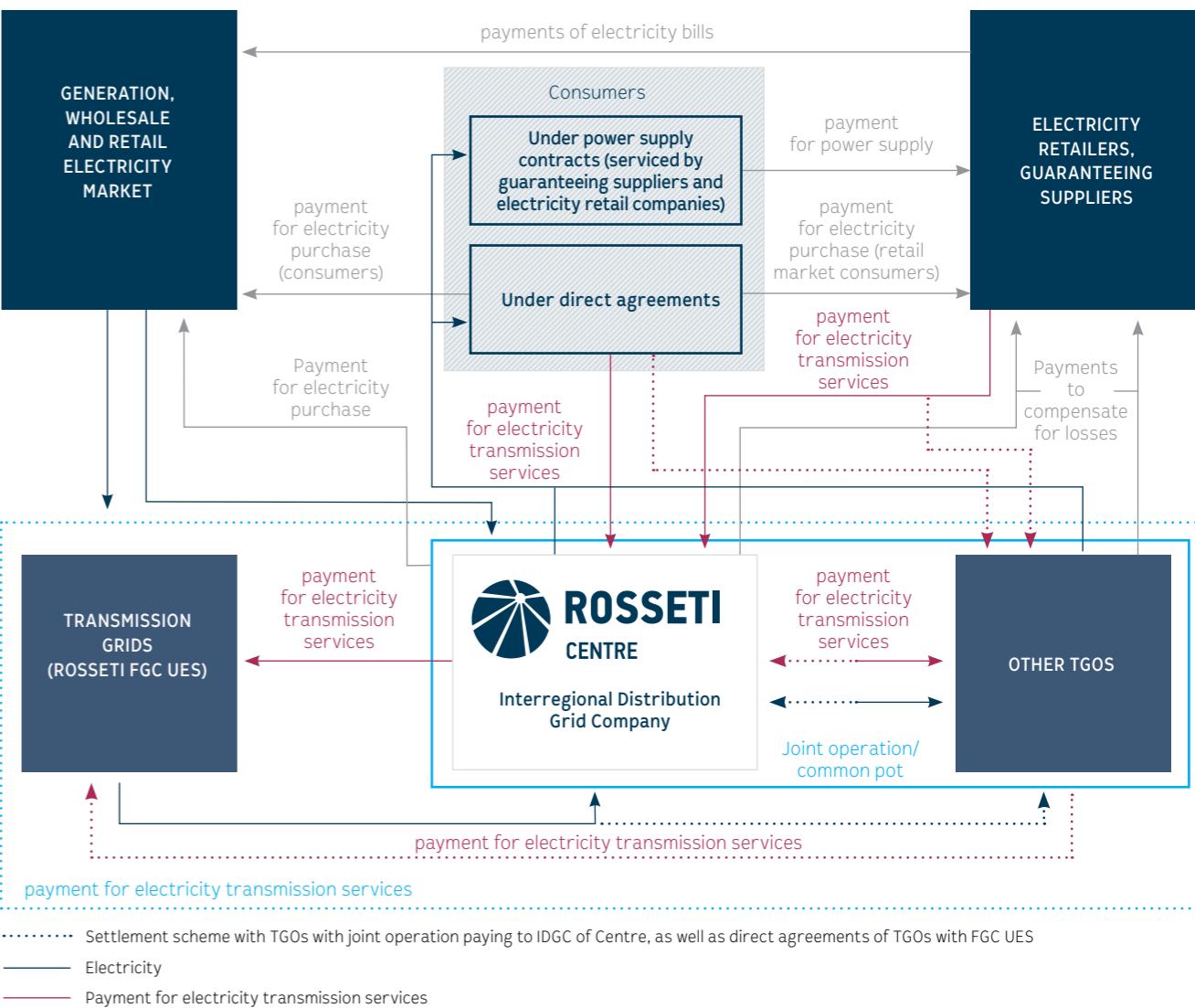
¹ Including the lease agreements existing at the end of the period, among them agreements signed before.

OPERATIONAL HIGHLIGHTS

POWER TRANSMISSION

The core business of IDGC of Centre involves transmission and distribution of electricity from the transmission grids of PJSC FGS UES to TGOs, electricity retailers and major consumers.

Business model on power transmission GRI 102-9



Power transmission services provided in 2017–2019, mn kWh¹

Indicator	2017	2018	2019	Change 2019/2018
Electricity delivered to the grid	59,234.8	54,235.7	53,141.3	-1,094.4
Net delivery (within the balance sheet attribution of the Company's branches)	53,392.9	48,454.2	47,706.9	-747.3
Electricity losses	5,841.8	5,751.5	5,434.5	-317.0
Power transmission services provided ²	51,718.6	47,019.1	46,374.6	-644.5

¹ Results of electricity transmission activities and results broken down by branches of the Company are given in Appendix 3.1 to the Annual Report.

² Including power transmission services on the territory with Guaranteeing supplier functions.

The main causes behind the reduction in the scope of power transmission services provided in 2019 are as follows:

- lower energy consumption, also due to the load transfer to PJSC FGC UES substations and station busses;

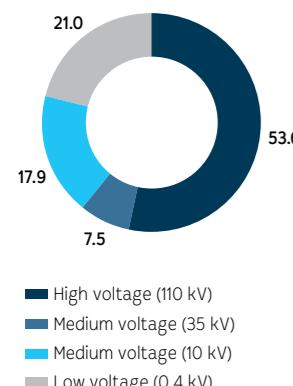
Consumer	Reduction, mn kWh
NLMK Group	-163
JCS Lebedinsky GOK	-358
JSC Mtsensk Foundry	-22

- lower energy consumption due to a shift in demand for electricity consumers' products and deviations from average standard temperatures.

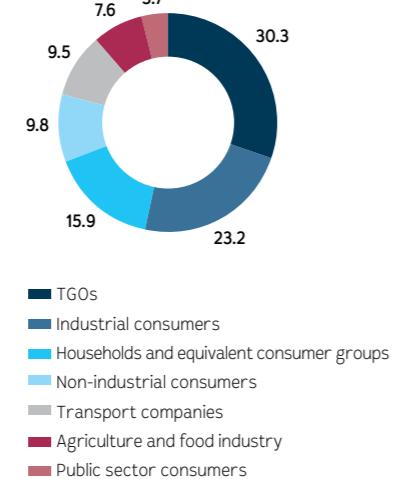
Consumer	Reduction, mn kWh
Smolensk branch of Moscow Railways – a branch of JSC Russian Railways	-36
LLC Bastion-67	-26
LLC Bryanskalektro	-50
JSC VGES	-50

POWER DELIVERY STRUCTURE EU3

Power delivered by voltage in 2019, %



Power delivered by consumer category in 2019, %



The largest industrial consumers from IDGC of Centre's grids in 2019

Ser. No.	Branch	Consumer	Consumption volume, mn kWh	Share of net electricity delivered, %
	Net electricity delivered from the grid in 2019		47,706.9	100.0
1	All 11 branches of the Company	JSC Russian Railways	3,163.4	6.6
2	Voronezhenergo	JSC VGES	1,789.3	3.8
3	Lipetskenergo	LLC GESK (JSC LGEK)	1,189.6	2.5
4	Kurskenergo	JSC Kursk Power Grids	1,176.5	2.5
5	Orelenergo	JSC Orelblenergo	833.2	1.7
6	Lipetskenergo	NLMK Group	741.7	1.6
7	Yarenergo	PJSC Slavneft-YANOS	601.1	1.3
8	Voronezhenergo	JSC Minudobreniya	394.8	0.8
9	Belgorodenergo	JSC Lebedinsky GOK	391.7	0.8
10	Kostromaenergo	LLC Initsiativa	278.9	0.6
Total for 10 major consumers			10,560.2	22.1

The reduction in the volume of grid power delivered to consumers and allied TGOs within balance sheet and operational responsibility boundaries of IDGC of Centre amounted to 839.1 mn kWh.

46.4

bn kWh
power transmission services provided

More than half of the net electricity delivery of IDGC of Centre is from its 110 kV grids. The share of the industrial consumers in the 110 kV net delivery is over 30%.

The major industrial consumers of high-voltage power comprise such metallurgical companies as NLMK Group and Lebedinsky GOK.

In 2019, TGOs (30.3%) and industrial consumers (23.2%), households and equivalent consumer groups (15.9%) were the largest consumers by delivery volumes.

ELECTRIC LOSS REDUCTION EU12

Dynamics of electricity losses in 2017-2019, %

Indicator	2017	2018	2019	Change 2019/2018, p.p.
Losses:				
• actual	9.86	10.60	10.23	-0.37
• target	10.21	11.02	10.26	
For reference: electricity losses in terms of electricity balance in 2018	10.81	10.60	10.23	-0.37

In 2019, the electricity losses amounted to 5,434.5 mn kWh, or 10.23% of total electricity supplied to the grid. Actual electricity losses were 0.03 p.p. below the target and 0.37 p.p. below the last year level!¹

Through a set of measures implemented to optimise (reduce) losses of electric energy in 2019, the savings on aggregate indicators of the balance of electricity amounted to 310.1 mn kWh (RUB 882.3 mn).

Annual loss reduction as a result of implemented measures in 2019

Measures	Effect	
	mn kWh	RUB mn
Organisational measures	266.6	751.1
Technical measures	8.6	24.6
Measures to improve metering arrangements	208.6	600.8
Cumulative effect	483.8	1,376.5

In 2019, implementation of the Investment Programme and energy services contracts involved the upgrading of 105 thousand metering points (costs amounted to RUB 1,310 mn) and setting-up of the remote data collection from 105.9 thousand metering points.

Detecting off-the-meter consumption of electricity

- Non-contractual consumption of electricity:

- 10.7 mn kW paid;
- costs to compensate for losses reduced by RUB 29.8 mn, excl. VAT.

- Off-the-meter consumption of electricity:

- 100.4 mn kW included in net delivery;
- costs to compensate for losses reduced by RUB 279.6 mn, excl. VAT.

GRID CONNECTIONS

Connection of new consumers to electrical grids is fully regulated by the Government:

- connection procedure and timeframe are set by the Rules for the Connection of Consumer

Terminals of Electricity Consumers, Generating Facilities and Grid Facilities Owned by Grid Companies and Other Persons to Electrical Grids approved by Resolution No. 861

of the Government of the Russian Federation dated 24 December 2014;
connection fees are approved by tariff regulators of constituent entities of the Russian Federation.

Dynamics of grid connection applications satisfied in 2017-2019, applications

Indicator	2017	2018	2019	Change 2019/2018
Number of submitted applications	54,282	52,526	47,876	-4,650 -8.9%
Number of signed contracts	44,619	43,963	38,531	-5,432 -12.4%
Number of executed contracts	42,314	39,984	38,063	-1,921 -4.8%

¹ Data on electricity losses broken down by branches are given in Appendix 3.1 to the Annual Report.

Dynamics of grid connection applications satisfied in 2017-2019, MW

Indicator	2017	2018	2019	Change 2019/2018	
Required capacity	2,527	2,896	2,936	40	1.4%
Maximum capacity under signed contracts	864	1,048	914	-134	12.8%
Connected capacity	866	868	840	-28	-3.2%

The scope of the grid connections by the grid company depends on the health of the economy of the regions within IDGC of Centre's footprint and plans for their economic development.

The demand for grid connections has been on the decline for the last three years. In particular, the number of applications, signed and executed grid connection contracts reduced in the reporting year by 8.9%, 12.4% and 4.8% year-on-year, respectively.

There is a decline in capacity figures of grid connections. Thus, total maximum capacity under signed contracts reduced in 2019 by 12.8%, the capacity connected (under executed grid connection contracts) went down by 3.2% year-on-year, while the required capacity (as per the received applications) grew only by 1.4%. Lower capacity indicators in 2019 resulted from the transition of some applicants from "Below 15 kW" to "15 to 150 kW" category.

Structure of connected capacity by sector in 2017-2019, MW

Category of applicants	2017	2018	2019	Change 2019/2018	
Individuals	395.4	386.8	364.2	-22.6	-5.8%
Agriculture and forestry, fishing	89.7	76.6	60.9	-15.7	-20.5%
Manufacturing industry	50.8	47.3	75.9	28.6	60.5%
Electricity, gas and water utilities	76.9	32.9	59.2	26.3	79.9%
Construction	78.5	81.2	55.4	-25.8	-31.8%
Trade	28.5	38.9	25.8	-13.1	-33.7%
Transport and telecoms	7.4	10.7	9.1	-1.6	-15.0%
Healthcare, education, social services	12.4	10.9	10.8	-0.1	-0.9%
Others	126.2	182.2	179.0	-3.2	-1.8%
Total	865.8	867.5	840.3	-27.2	-3.1%

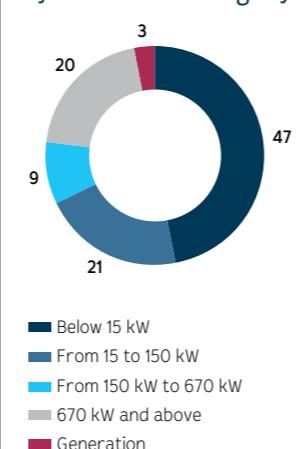
Individuals account for the bulk of the capacity connected in 2019 (364 MW, or 44%).

In 2019, the highest year-on-year growth in connected capacity occurred in "Electricity, gas and water utilities" (up 79.9%) and "Manufacturing industry" (up 60.6%) categories, while the most significant decrease was in "Trade" category (down 33.7%).

Structure of connected capacity by consumer category in 2017-2019, MW

Category of applicants	2017	2018	2019	Change 2019/2018	
Up to and including 15 kW	433.6	413.2	394.1	-19.1	-4.6%
Over 15, up to and including 150 kW	99.6	172.2	177.8	+5.6	+3.3%
Over 150 kW and below 670 kW	101.9	94.5	75.2	-19.3	-20.4%
Over 670 kW	229.9	186.5	166.3	-20.2	-10.8%
Generation	0.8	1.1	26.8	+25.7	+2,336.4%
Total	865.8	867.5	840.3	-27.2	-3.1%

Connected capacity structure by consumer category in 2019, %



Implementation of the Target Model of Grid Connection by the constituent entities of the Russian Federation

In 2019, IDGC of Centre continued its work under the Grid Connection target model within its footprint.

- The official website of the Company has a User account, which allows submitting an application, concluding a grid connection contract, and monitoring the grid connection progress.
- The number of digital grid connection applications submitted in 2019 amounted to 76%, which corresponds to the target "Share of grid connection applications submitted via a user account on the grid organisation web-site".
- The official web-site also allows for preliminary calculation of payment for grid connection using a special calculator.
- The Company's branches regularly carry out consulting and explanatory work with the applicants as related to grid connection activities performed.

In 2019, the average time for "contract – notification" indicator under the Doing Business grid connection contracts, which implies that these works shall be implemented by a grid organisation, was 79 days with a 6% reduction year-on-year (84 days in 2018) and 17.7% reduction as compared to 2017 (96 days).

Improving the Grid Connection Procedure

In 2019, the Company continued its efforts towards the simplification of the grid connection procedure. To reduce the connection costs for a grid organisation and to accelerate grid connection contracts, IDGC of Centre increases the share of contracts involving activities carried out without contractors. Sustainable growth in the number of such contracts has been observed over the past three years.

Over 47 thousand
grid connection applications were submitted in 2019

840.3 MW
capacity connected in 2019

76%

a share of digital applications

6%

year-on-year reduction in the time of grid connection services

77.1%

grid connection contracts implemented using own resources

Structure of grid connection agreements in 2017-2019 by way of works

Indicator	2017		2018		2019	
	q-ty	%	q-ty	%	q-ty	%
Existing contracts as of the end of the period	23,269	-	21,354	-	19,135	-
Including ones with the measures taken by a grid organisation	16,022	-	14,718	-	14,732	-
Among them, contracts executed:						
Without contractors	10,353	64.6	9,836	66.8	11,365	77.1
By contractors	5,669	35.4	4,882	33.2	3,367	22.9

ADDITIONAL SERVICES

IDGC of Centre develops additional services to be provided to the customers, not related to the core activities on electricity transmission and grid connection. Additional services are provided on a commercial basis and are beyond government regulation.

The Company offers additional services pertaining to the maintenance of grid facilities. These are the most sought-after services for households, including those aimed at energy saving.

Highly qualified and experienced personnel carries out works in strict compliance with all technical standards and requirements. The Company has special-purpose machinery, all necessary permits and licenses, materials to carry out works of any degree of difficulty. The Company gives a guarantee for all types of services.

Applications for additional services are accepted in consumer service offices, in regions of power grids (RPGs), and in "Feedback" section on the Company's web-site.

Key types of additional services

- Set-up of outdoor lighting systems
- Maintenance and repair of power grids and equipment
- Customisation of power grid facilities
- Provision of technical resources
- Equipment testing and diagnostics
- Installation and replacement of metering devices
- In-service control of grid connections
- Energy audit and energy services
- Engineering, design and construction of generating facilities

161 thousand

applications relating to additional services in 2019

Promotion of services for upgrading of outdoor lighting grids

As for "Set-up and provision of outdoor lighting" service, the Company is exploring the full cycle set-up and provision of outdoor lighting, which will comprise the following services:

- lighting audit;
- design of coloured lighting for facilities;
- construction and erection works;
- maintenance;
- mode control and lighting adjustment;
- removal and recycling.

At present, the contractual structures and procedures for provision of the services above are elaborated.

CUSTOMER RELATIONS EU24

IDGC of Centre's relations with customers are aimed at building up customer loyalty through better customer experience and meeting both their short and longer-term needs.

RELATIONS POLICY

The Company's work is guided by the following principles of customer relations:

- identification and satisfaction of reasonable customers' requirements;
- continuous monitoring of customers' expectations and satisfaction;
- ensuring reliable, uninterrupted power supply to good consumers of the Company's services.

Moreover, one of the key priorities of the Company's relations with its consumers is to provide territorial, organisational and informational availability of services.

CONSUMER SERVICE TYPES

The Company offers three types of consumer service: 1) in-person service and 2) service by correspondence that includes 3) interactive customer service. Data from customers are received via specially dedicated channels.

Consumer service types

Requests reception channel	Requests submission/reception method	Requests types
Consumer Service Centres (19 centres)	Customer visit, User Account, "The Light Country" portal, E-mail, "Портал-тп.рф" portal	Application, Complaint, Consultation, Feedback, Proposal, Conveying of information
Customer Affairs Office (262 offices)	Russian Post, Customer visit, Phone, Fax, E-mail	
Company's department	Phone, SMS, Voice mail, Online Reception	

In 2019, the call centre equipment was upgraded with the use of domestic solutions based on Infinity software-hardware platform. The new Infinity hardware complex allows us to implement modern IT technologies when working with consumers.

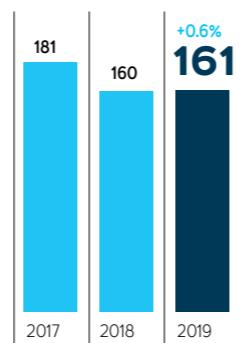
For more details on the project see page 54

To promote new additional services, the Company is reviewing different options, such as:

- consulting (consulting services – legal, accounting);
- investments (search for and implementation of promising "digital" investment projects);
- production (output of products for the Company's own needs);
- engineering (design activities and construction supervision).

The options for additional services will be specified after assessing the required resources and benefits of additional services.

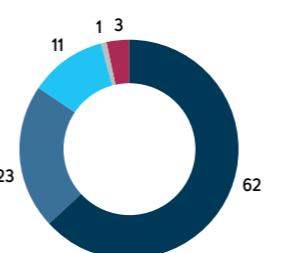
Demand for additional services in 2017-2019, thousand applications



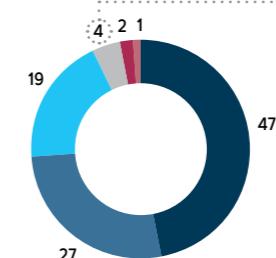
Statistics on consumer requests in 2017-2019, requests

Numbers of consumer requests by communication channel	Number of requests		
	2017	2018	2019
In-person requests	319,484	273,291	239,381
Remote requests via a call centre	596,999	595,687	633,233
Including requests concerning power supply made via hotlines	428,073	372,019	344,543
Written requests via administrative offices	7,077	5,324	6,034
Remote requests via online reception/user account/online helpdesk/e-mail	15,777	36,202	114,051
Other ¹	24,466	26,399	28,506
Total	963,803	936,903	1,021,205

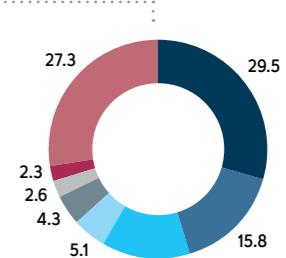
Consumer requests by communication channels in 2019, %



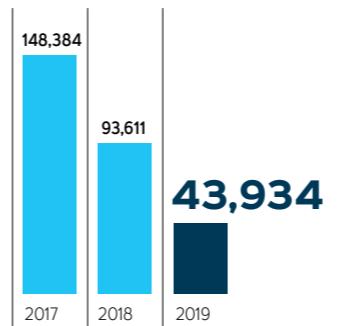
Consumer requests by category in 2019, %



Consumer complaints by purpose in 2019, %



Change in the number of complaints in 2017-2019



9%

increase in the number of requests in 2019

3 times

increase in the number of applications received through interactive communication channels

CUSTOMER SATISFACTION MEASUREMENT²

In 2019, the questionnaire survey involved 17.2 thousand consumers of services of IDGC of Centre. The survey showed that the quality of services rendered by branches of IDGC of Centre remained approximately at the same level.

Integral score of customer satisfaction with the quality of services provided

4.42 out of 5
possible
(vs 4.38 in 2018)

¹ Fax, telephone of branches (Consumer Affairs Offices, Consumer Service Centres), hotline of IDGC of Centre.
² For more detail please see Appendix 3.2 to the Annual Report posted at the Company's website.

INNOVATIVE DEVELOPMENT PROGRAMME

EU8 (ex)

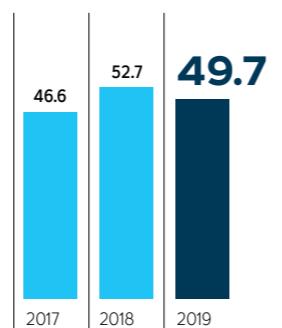
IDGC of Centre's innovative development is aligned with:

- the Innovative Development, Energy Saving and Energy Efficiency Improvement Policy of Rosseti approved by the Board of Directors of IDGC of Centre in June 2014;
- IDGC of Centre's Innovative Development Programme for the period of 2016–2020 with an outlook until 2025 approved by the Company's Board of Directors in March 2017.

The Innovative Development Programme covers the following key areas:

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

Total R&D costs in 2017-2019,
RUB mn (excl. VAT)



The reduction in R&D costs was related to savings as a result of procurement procedures.

Costs by key innovative development areas in 2017-2019, RUB mn (excl. VAT)

Innovative development area	2017	2018	2019
Transition to digital substations operating at different voltages	4.0	88.0	57.2
Transition to digital smart grids with a distributed intellectual automation and control system	174.8	438.1	672.3
Transition to integrated business processes and automation of control systems	160.4	146.0	101.4
Utilisation of new technology solutions and materials in power engineering	111.9	117.0	43.0
Total	451.1	789.1	873.9

Indicators of the Company's Innovative Development Programme as part of the combined KPI "Efficiency of innovations" were achieved in 2019.

PROGRESS ACROSS THE CORE AREAS OF THE INNOVATIVE DEVELOPMENT PROGRAMME IN 2019

Transition to digital substations operating at different voltages

Utilisation of digital substation technologies during the reconstruction of the 35/10 kV Nikolskoye substation in Belgorodenergo branch.

Project deadlines: 2019

Investments: RUB 246 mn (incl. VAT), with RUB 210 mn in 2019

2019

- The technologies for data exchange between all smart electronic devices of the substation were implemented using IEC 61850-8-1 (MMS, GOOSE-messages) and IEC 61850-9-2 (SV-streams) communication protocols.
- Within the scope of construction, installation and commissioning, the Company mounted and adjusted 14 relay protection and automatic control (RPA) terminals in 10 kV switchgears supporting IEC 61850 protocols, five IEC-enabled RPA cabinets, 12 switch-boards of the local area network (LAN), 10 analogue signal converters and six discrete signal converters.

For more details on the project see page 42-43.

Design of RPA devices for the 110/6 kV Energoremont substation in Bryanskenergo branch.

Project deadlines: 2019–2021

Investments: RUB 447 mn (incl. VAT), with RUB 0.2 mn in 2019

CAPEX in 2019: RUB 9.2 mn

2019

- The technology for data exchange between all smart electronic devices of the substation was implemented using IEC 61850-8-1 (MMS, GOOSE-messages) and IEC 61850-9-2 (SV-streams) communication protocols at the stage of front-end engineering and design.
- The stage covered 27 RPA terminals in 6 kV switchgears supporting IEC 61850, five IEC 61850-supported RPA cabinets, 20 LAN switch-boards, two analogue signal converters and five discrete signal converters

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

The multi-agent intelligent control technology is one of the key technologies for creating an active-adaptive (smart) electric power system.

Innovative intelligent devices installed in distribution grids have their own controllers to process information, organise its transmission via digital communication channels to SCADA-systems, and arrange for the operational logic of each device.

In 2019, the Company utilised several types of intelligent switching devices, which enhanced the flexibility of distribution grids schemes and enabled selective identification and localisation of damaged grid sections only, leaving intact sections in operation.

In addition to controlling means, it is important to have a distributed network of intelligent sensors that allow identifying various types of events and transmitting information to the dispatcher for further decision-making.

Implementation of new technological solutions in branches of the Company

Designation	Description	Devices installed in 2019
Recloser	A switching device with the best functionality in the distribution grids	182
Controlled disconnector	The most reliable and robust device among automatic controls of 6–10 kV distribution grids	127
Short-circuit detector	Detect both short circuits within a controlled section and single-phase earth faults (accounting for about 90% of all faults in 6–10 kV grids)	152
Telemetry and telecommand devices for transformer substations	Improve the observability and automation of 10/0.4 kV transformer substations	1,932
Energy storage devices	Belgorodenergo branch pioneered this project in 2019. A storage device is connected to a 0.4 kV overhead line and operates in the period of peak loads to ensure power conditioning along the 0.4 kV line and to reduce electricity losses For more details on the project see pages 38–39	1

Utilisation of new technology solutions and materials in power engineering

In 2019, the Company utilised new technologies and materials for reconstruction and new construction, as well as for operation of facilities and implementation of innovative projects.

- Digital grid technologies:
 - utilisation of digital technologies for Digital Substation projects;
 - application of new engineering solutions for integrated digitisation of distribution grids in digital RPGs and implementation of distributed automation devices controlled from Grid Control Centres (GCC);
 - application of new engineering solutions for integrated digitisation of distribution grids in digital RPGs and implementation of control systems based on central transceivers;
 - application of new engineering solutions for integrated digitisation of distribution grids in digital RPGs through telemetry and telecommand of 6–10/0.4 kV TSS with data transmission to the GCC;
 - application of new engineering solutions for integrated digitisation of distribution grids in digital RPGs and utilisation of energy storage devices;
 - development of digital radio communication.
- Utilisation of predictive analysis methods during the implementation of “Software-based Big Data analysis method to detect off-the-meter electricity consumption” R&D project.
- Development of methods for evaluating the effectiveness of UAV use for the maintenance and repair of power grid facilities.
- Technologies for the development of the infrastructure of intelligent electricity metering with automatic generation of analytical information.
- Utilisation of new technology solutions and materials in power engineering:
 - use of composite poles in 110 kV overhead lines with insulated traverses;
 - use of domestic innovative high-efficiency ASVP wires;
 - use of composite poles for 10 kV overhead lines;
 - use of steel multisided anchor poles for 0.4 kV lines.

R&D Initiatives¹

R&D initiatives undertaken in 2019

are as follows:

- Designing a control system for a group of unmanned aerial vehicles (UAV) to perform continuous monitoring of overhead power transmission lines in automatic mode, with a network of charging stations as an element of the control system;

[For more details on the project see pages 44–45](#).
- Studying the existing 6–35 kV systems for compensation of capacitance fault currents at Smolenskenergo branch;
- Studying the increment rate of key forest-forming tree species depending on climatic zones and soil quality along the routings of operating overhead lines with the preparation of regional maps for regular clearing of overhead line right-of-ways and provision of recommendations on technique of works;
- Software-based solution for Big Data analysis to detect off-the-meter electricity consumption;

[For more details on the project see page 51](#).
- Alarm and network restraint mechanism in 10/0.4 kV transformer substations;
- Designing a mobile laboratory for monitoring the transformer oil quality measures.

INFORMATION TECHNOLOGIES

Performance of IDGC of Centre as a modern power grid company is directly contingent on the use of state-of-the-art IT solutions and automation tools.

Development of automated process control systems

IDGC of Centre updated the programmes on upgrading and expansion of the data acquisition and transmission systems at 11 branches of the Company in line with requirements of the Agreement on technological interaction between JSC SO UPS and IDGC of Centre. The Company continued with the fulfilment of programmes for development of automated process control systems.

Basic engineering solutions were approved for the projects on creation of grid control centres at 11 branches of the Company in line with the Concept of development of operational and process management system in Rosseti's power grid complex.

In the reporting year:

- outdated telemetry systems of 27 substations were replaced with modern ones;
- 271 reclosers were provided with remote control (telemetry);
- design and survey work was carried out to modernise the telemetry systems of one hundred and thirteen 110 kV and 35 kV substations, eight 6(10) kV distribution points, forty two 6(10) kV transformation substations;
- a significant amount of 6(10)/0.4 kV transformation substations was equipped with automated electricity and telemetry metering systems based on a single solution;
- central transmitting and receiving stations were installed in seven branches of the Company to receive telemetry system data from distribution grid facilities and transmit these data to operational information centres of the GCCs of the branches.

Development of telecommunication and ITs

Digital Dispatcher Radio Communication

In 2019, the EAD was completed to create a DMR standard digital radio communication system. The design and estimate documentation was prepared for more than 700 locations of repeaters and base stations at 11 branches of the Company.

Six branches of IDGC of Centre launched the first stage of building a digital radio communication network, which includes development of radio communication in dispatch points and digital RPGs of respective branches.

[For more details on the project see pages 48–49](#).

Diagrams of arrangement of communication channels between substations and the GCC

Arrangement diagrams of communication channels for prompt talks and telemetric information transmission were designed and approved by JSC SO UPS. The suggested solutions involve a transition from outdated analogue technologies, E1 and xDSL, to state-of-the-art digital technologies with packet data transmission, which allows optimisation of costs for servicing the telecommunication infrastructure and leasing the communication channels.

Business applications and automation of business processes

In 2019, a software was developed within the Enterprise Resource Planning System (ERP), which particularly relates to:

- automation of accounting of nonfinancial capital assets;
- automation of calculations of actually used and reserved maximum power of electricity consumers;
- the ERP integration with the automated electricity metering system;
- development of the production asset management system.

The Company introduced Wialon GPS GLONASS system for development of the vehicle tracking complex.

[For more details on the project see pages 36–37](#).

Services of the corporate portal were upgraded.

The mass power outages recording system was updated in part of analytical information on the progress of eliminating process-related faults.

¹ For more details on R&Ds please see Appendix 3.3 to the Annual Report.

04

5.7%

drop in operating
expenses

Weighted average borrowing
rate reduced

to 7.32%

FINANCIAL REVIEW

24.7%
increase in revenue

from additional services

Standard & Poor's

upgraded the long-term international credit
rating of the Company from
"BB" to "BB+" with a Stable outlook

STABLE FINANCIAL POSITION



"In 2019, the work of IDGC of Centre was compounded by reduced power consumption from the Company's grids and existing tariff restrictions. With all these factors combined, we increased revenue for transmission services by only 1% above the level of the previous year, which is lower than inflation rates. So much the more valuable is the fact that we were able to mobilise available resources, develop and implement measures to enhance efficiency and reduce operating expenses, and also increase by 7.5% the revenue from unregulated types of industrial services. We took great efforts to overcome the negative dynamics of gross profit in recent years.

However, the need to resolve disagreements with guaranteeing electricity suppliers that have been accumulated over recent years led to substantial expenses associated with the accrual of valuation provisions. As a result, net income decreased compared to the previous period.

Despite the challenges driven by external factors, the Company continues to prioritise the interests of shareholders: interim dividends of 96% of net profit were paid in the first nine months of 2019.

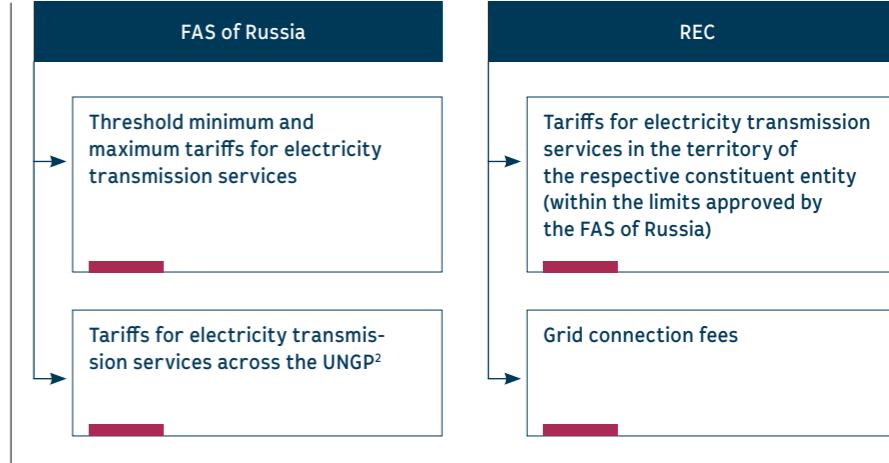
We confirmed our stable financial position: in July 2019, Standard & Poor's rating agency upgraded the long-term international credit rating of IDGC of Centre from "BB" to "BB+" with a "stable" outlook. Due to the placement of exchange-traded bonds in November 2019 with a coupon rate of 6.85% per annum and through constant working with credit agencies to optimise the value of the debt portfolio, we managed to achieve the lowest average borrowing rate for the last five years – 7.32% per annum".

Artyom Alyoshin,
Deputy General Director
for Economics and Finance,
IDGC of Centre

TARIFF POLICY

Electricity transmission and grid connections made by the Company are subject to state regulation.

The core business is regulated through the establishment of appropriate tariffs (fees) by executive authorities – the Federal Antimonopoly Service (FAS of Russia) and regional energy commissions (RECs) – by local executive authorities responsible for state regulation of tariffs.



ELECTRICITY TRANSMISSION TARIFFS

In 2019, two methods were adopted to setting tariffs for electricity transmission services applicable across the Company's branches¹:

- the method of long-term indexation of the required gross revenue (Belgorodenergo, Bryanskenergo, Voronezhenergo, Kostromaenergo, Kurskenergo, Lipetskenergo, Orelenergo, Smolenskenergo, Tverenergo);
- RAB regulation (Tambovenergo, Varenenergo).

The regulation method for each of the Company's branches is chosen by reference to Resolution No. 1178 of the Russian Government dated 29 December 2011 "On Price Formation Regarding Regulated Prices (Tariffs) in the Power Industry".

CHANGES IN TARIFFS OVER TIME

Average weighted joint operation ("common pot") tariffs for electricity transmission in 2017–2019

Indicator	2017	2018	2019
Average tariff for electricity transmission services, kopecks/kWh	176.7	196.2	200.9
Growth, %	13.1	11.1	2.4

REQUIRED GROSS REVENUE (RGR)

In December 2018, the Regional Energy Commission imposed legislatively prescribed tariffs for electricity transmission via grids that belong to territorial grid organisations on the basis of the right of ownership or under other legal grounds.

Tariff balance decisions (TBD) for 2019 applicable to the branches of the Company are aligned with minimum and maximum tariff levels for electricity transmission services approved by the FAS of Russia.

The joint operation RGR across IDGC of Centre's branches was approved in the amount of RUB 94,592 mn (+2.1% year-on-year). The increase in the joint operation RGR in 2019 was due to the lower balance sheet ratios of electricity transmission (-0.3% for the joint operation net delivery). The branches that experienced the highest growth are Voronezhenergo (+6.0%), Bryanskenergo (+4.0%), Kurskenergo (+3.7%), and Orelenergo (+3.3%).

¹ The description of each methods is given in Appendix 3.4 to the Annual Report.
² UNGP - Unified National Power Grid.

Considering changes in federal factors (PJSC FGC UES, losses), RGR for operations of branches was approved in the amount of RUB 46,824 mn (+0.3%, or +RUB 135 mn year-on-year).

The joint operation RGR in the reporting year experienced no strong changes. The RGR for operations of IDGC of Centre's branches still holds the largest share – 49.5%, costs for FGC UES's services stood at 18.4%, costs for other TGOs' services – at 14.8%, and costs for compensation of losses in our transmission and distribution grids) – at 17.3%.

The share of IDGC of Centre in the RGR of the covered regions in 2019 amounted to 85.7%.

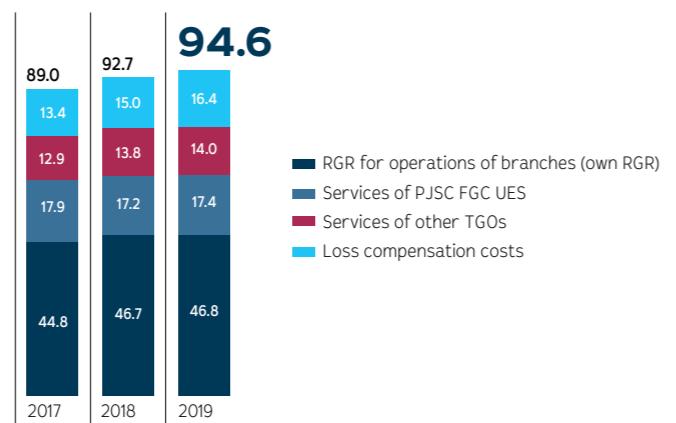
GRID CONNECTION TARIFFS

Prices for grid connection services were regulated and established in 2019 by the executive authorities of the constituent entities of the Russian Federation responsible for state regulation of tariffs¹:

- for the regulatory period:

Standardised tariff rates (RUB per one grid connection, RUB/km, RUB/kW)	Calculated on the basis of data provided by grid organisations on actual expenses for the three previous years by the comparative method, given the costs of all grid organisations of a constituent entity, with single rates set for the entire constituent entity	Approved subject to the following differentiation: <ul style="list-style-type: none"> • by activities; • by category of applicants; • by voltage level; • by connected capacity; • by types and brand of a wire for overhead lines and cable lines; • by technique of works (piercing method/method of horizontal directional drilling); • by types and rated power of equipment and transformers of substations.
Rates per maximum capacity unit (RUB per kW)	Determined on the basis of approved standardised tariff rates and actual averages on the connected maximum capacity for the previous three years	The rates per unit of capacity are differentiated similarly to standardised tariff rates. The approved rates per unit of capacity for 2019 have a rather large variation of values and variety of trends in year-on-year changes. This is due to the great variability of data on the volumes of connected capacity on actuals of past years for individual grid organisations and types of activities
Grid connection fee formula	It is established by the regulatory authority on the basis of standardised tariff rates and the method of grid connection of the grid organisation pursuant to the provisions of Clause 30 of Guidelines No. 1135/17 dated 29 August 2017	

Changes in RGR structure in 2017–2019, RUB bn



Prices for grid connection services were regulated and established in 2019 by the executive authorities of the constituent entities of the Russian Federation responsible for state regulation of tariffs¹:

- for the regulatory period:

Standardised tariff rates (RUB per one grid connection, RUB/km, RUB/kW)	Calculated on the basis of data provided by grid organisations on actual expenses for the three previous years by the comparative method, given the costs of all grid organisations of a constituent entity, with single rates set for the entire constituent entity	Approved subject to the following differentiation: <ul style="list-style-type: none"> • by activities; • by category of applicants; • by voltage level; • by connected capacity; • by types and brand of a wire for overhead lines and cable lines; • by technique of works (piercing method/method of horizontal directional drilling); • by types and rated power of equipment and transformers of substations.
Rates per maximum capacity unit (RUB per kW)	Determined on the basis of approved standardised tariff rates and actual averages on the connected maximum capacity for the previous three years	The rates per unit of capacity are differentiated similarly to standardised tariff rates. The approved rates per unit of capacity for 2019 have a rather large variation of values and variety of trends in year-on-year changes. This is due to the great variability of data on the volumes of connected capacity on actuals of past years for individual grid organisations and types of activities
Grid connection fee formula	It is established by the regulatory authority on the basis of standardised tariff rates and the method of grid connection of the grid organisation pursuant to the provisions of Clause 30 of Guidelines No. 1135/17 dated 29 August 2017	

¹ As consistent with the guidelines approved by order No. 1135/17 of the FAS of Russia dated 29 August 2017.

- at the request of a grid organisation (established by the regulator separately for each specific applicant):

- a fee for connection of individual consumer terminals with a maximum capacity of at least 8.9 MW and a voltage of at least 35 kV to territorial transmission and distribution grids;
- a fee for connection of power generation facilities to territorial transmission and distribution grids;
- a fee for custom-made grid connection.

If the issued specifications envisage measures, for which there are no approved rates, economically justified costs are determined on the basis of estimates submitted by the territorial grid organisations and prepared against the costing standards.

The share of subsidised grid connection contracts is almost

80%

SUBSIDISED GRID CONNECTION

The subsidised terms of grid connection are defined in Clause 17 of the Rules for grid connection of power consumer terminals¹.

Subsidised grid connection conditions

The size of a subsidised fee shall not be more than RUB 550 per connection. When calculating the fee for grid connection of non-profit associations and citizens who united their household outbuildings, the fee of RUB 550 is multiplied by the number of members (citizens) of such associations. In addition, from 1 October 2017, an investment component (to cover the costs for the construction of electric grid facilities) included in the fee for grid connection of consumer terminals with a maximum capacity of 150 kW is equal to zero.

Subsidised conditions cover:

- applicants who submitted an application for grid connection of consumer terminals with a maximum capacity of up to and including 15 kW (given the loads already connected at this point);
- horticultural, gardening, dacha, and other non-profit associations, religious organisations and citizens who have united their garages and household outbuildings.

Costs associated with the connection of subsidised categories of consumers are defined as "shortfall in income from grid connection" and are included in the expenses of the grid organisation taken into account when setting tariffs for power transmission services².

In 2019, 78.7% of the total grid connection contracts were made with subsidised categories of consumers of the group "up to and including 15 kW".

During the year, other categories of applicants used the following payment options.

Payment options for grid connection chosen by applicants in 2019, %



¹ Approved by Decree No. 861 of the Government of the Russian Federation dated 27 December 2004.

² Shortfalls in income are calculated as stipulated by the methodological guidelines approved by Order No. 215-e/1 of the FTS of Russia dated 11 September 2014.

ANALYSIS OF FINANCIAL RESULTS

FINANCIAL RESULTS

Changes in key financials in 2017–2019, RUB mn¹

Indicator	2017	2018	2019	Change 2019/2018
Proceeds from product (service) sales	91,060.4	93,873.5	94,505.8	632.3 0.7%
• Electricity transmission	87,622.9	90,015.4	90,886.7	871.3 1.0%
• Grid connection	1,591.2	1,863.9	1,542.0	-321.9 -17.3%
• Electricity sales	548.4	530.0	520.7	-9.3 -1.8%
• Other services	1,297.9	1,464.2	1,556.4	92.2 6.3%
Cost of sales	79,023.1	83,936.4	84,508.6	572.2 0.7%
Gross profit	12,037.3	9,937.1	9,997.2	60.1 0.6%
Management costs	2,173.3	2,191.3	2,335.8	144.5 6.6%
Selling costs	20.2	18.8	18.7	-0.1 -0.5%
Profit (loss) from sales	9,843.8	7,727.0	7,642.7	-84.3 -1.1%
Interest receivable	366.8	53.1	106.5	53.4 100.6%
Interest payable	4,046.4	3,196.1	3,218.0	21.9 0.7%
Income from shareholdings	21.6	14.4	14.8	0.4 2.8%
Other revenues	4,338.8	3,509.9	3,603.5	93.6 2.7%
Other expenses	5,947.0	5,900.0	6,975.1	1,075.1 18.2%
Profit (loss) before tax	4,577.6	2,208.3	1,174.4	-1,033.9 -46.8%
Income tax and other charges	2,546.2	802.9	959.7	156.8 19.5%
Net profit (loss)	2,031.4	1,405.4	214.7	-1,190.7 -84.7%
EBITDA²	19,364.6	16,555.9	16,038.3	-517.6 -3.1%

Revenue

In 2019, revenue increased by 0.7% year-on-year and amounted to RUB 94,505.8 mn, which is primarily due to higher proceeds from the electricity transmission services.

Revenues from electricity transmission services grew to RUB 90,886.7 mn (up 1%) as a result of an increase in an average tariff for electricity transmission. At the same time, revenue from grid connection services dropped to RUB 1,542 mn (down 17.3%) because of a major grid connection agreement with the Russian Ministry of Defense implemented in the Belgorodenergo branch in 2018.

With a decrease in the volume of electricity sales, revenue from this category showed a slight decrease (down 1.8%) and amounted to RUB 520.7 mn.

Revenue from services for other activities in 2019 amounted to RUB 1,556.4 mn, up 6.3% year-on-year, including revenue from additional services totalling RUB 1,416 mn (+24.7%). Other revenues in 2019 were mainly driven up by a larger volume of contracts for the following services: "Installation of outdoor lighting systems", "Operational maintenance and repair of power grids and electrical equipment", "Reconstruction of power grid facilities of IDGC of Centre for the benefit of customers", "Installation and replacement of metering devices", and "Provision of technical resources".

0.7%
revenue growth in 2019

24.7%
increase in revenue
from additional services

16,038.3
RUB mn
EBITDA in 2019

¹ In line with RAS financial statements.

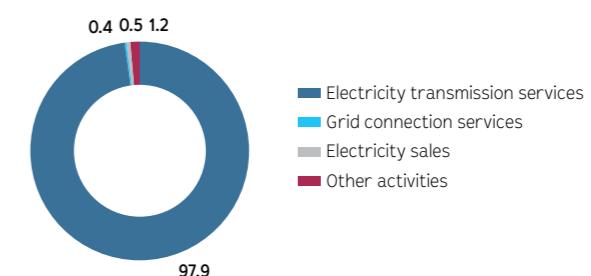
² EBITDA was calculated as follows: Profit before Tax + Interest Payable + Depreciation = Line 2300 (Form No. 2) – Line 2330 (Form No. 2) + Line 6514 (Form No. 2.1) + Line 6554 (Form No. 2.1) + Line 6564 (Form No. 2.1)

Costs of production and sales

In 2019, the total cost of the services provided by the Company amounted to RUB 86,863 mn.

The costs of production (with managerial and commercial expenses) 2018 grew by RUB 716.5 mn, or 0.8%, year-on-year. This growth was mainly attributable to higher uncontrolled costs: compensation for electricity losses, services of territorial distribution grid organisations and accrued depreciation.

Changes in costs of production and sales in 2019, %



Changes in costs of production and sales in 2017–2019, RUB mn¹

Indicator	2017	2018	2019	Change 2019/2018
Costs of production and sales	81,216.6	86,146.5	86,863.0	716.5 0.8%
• for electricity transmission	79,927.3	84,392.5	85,076.2	683.7 0.8%
• for grid connection	344.3	348.0	375.5	27.5 7.9%
• for electricity sales	297.2	484.8	469.8	-15.0 -3.1%
• others	647.8	921.2	941.5	20.3 2.2%

Structure of costs of production and sales in 2017–2019, RUB mn

Indicator	2017	2018	2019	Change 2019/2018
Uncontrollable costs	54,323.4	57,355.7	58,034.4	678.7 1.2%
• loss compensation costs	13,609.1	14,976.5	15,123.3	146.8 1.0%
• services of PJSC FGC UES	16,822.7	17,315.2	17,245.0	-70.2 -0.4%
• TGO services	12,874.1	13,657.1	13,768.0	110.9 0.8%
• depreciation of fixed and intangible assets	10,740.6	11,151.5	11,645.9	494.4 4.4%
• electricity purchased for resale	276.9	255.4	252.2	-3.2 -1.3%
Controllable costs	26,893.2	28,790.8	28,828.6	37.8 0.1%
• material costs	3,451.9	3,753.9	3,568.0	-185.9 -5.0%
• production-related services	944.4	1,286.7	1,221.6	-65.1 -5.1%
• staff costs (payroll, social security charges, contributions to private pension funds)	17,641.9	18,133.4	18,569.3	435.9 2.4%
• others	4,855.0	5,616.8	5,469.7	-147.1 -2.6%
Total costs	81,216.6	86,146.5	86,863.0	716.5 0.8%

In 2019, **controllable costs** were equal to RUB 28,828.6 mn (33.2% of total costs). There was a slight year-on-year increase of RUB 37.8 mn, or 0.1%, which was mainly attributable to an increase in personnel costs driven by the wage indexation and the redistribution of costs between cost of production and other expenses as a result of the re-qualification of part of social payments to the Company's staff.

In 2019, **uncontrollable costs** were RUB 58,034.4 mn (66.8% of total costs), a year-on-year growth of RUB 678.7 mn, or 1.2%, including:

- loss compensation costs of RUB 15,123.3 mn, with a year-on-year increase of RUB 146.8 mn (1%). Higher costs were mainly attributable to an increase in average weighted non-regulated prices in the wholesale electricity and capacity market;
- services of PJSC FGC UES for RUB 17,245 mn, down RUB 70.2 mn (0.4%) year-on-year. The main reasons for lower costs include a change in contracted capacity and a change in the volume of normative losses;
- TGO services for RUB 13,768 mn, up RUB 110.9 mn (0.8%) year-on-year, driven by higher individual tariffs for services of territorial grid organisations;
- depreciation of fixed assets and intangible assets of RUB 11,645.9 mn, up RUB 494.4 mn (4.4%) year-on-year, driven by the commissioning of new fixed assets;
- costs for electricity purchased for resale, totalling RUB 252.2 mn.

¹ Including management and selling costs.

Profit from sales

Profit from sales in 2019 amounted to RUB 7,642.7 mn, which is RUB 84.3 mn (1.1%) lower than the same value in 2018. The reduction of profit from sales was caused by the outstripping growth of costs over the growth of revenues, which, as stated above, was mainly driven by the growing uncontrolled expenses.

The negative balance of other revenues and expenses at the end of 2019 amounted to RUB 3,371.6 mn, with up RUB 981.5 mn year-on-year. The slowdown was mainly spurred by an increase in the volume of reserves for law actions by RUB 1,064.5 mn due to the settlement of disagreements with counterparties.

Profit before tax

In 2019, profit before tax amounted to RUB 1,174.4 mn, representing a year-on-year decrease of RUB 1,033.9 mn. Income tax and other similar mandatory charges totalled RUB 959.7 mn.

EBITDA

As at the end of 2019, EBITDA was RUB 16,038.3 mn, with a year-on-year drop of RUB 517.6 mn, or 3.1%. This decrease was caused by an increase in the negative balance of other revenues and expenses (net of interest payable) by RUB 927.7 mn, an increase in costs (net of depreciation) by RUB 222.2 mn and was partially offset by the revenue growth by RUB 632.3 mn.

Net profit

The above changes in revenues and expenses led to a year-on-year decrease in lower net profit in 2019 by RUB 1,190.7 mn (84.7%). The financial result in 2019 amounted to RUB 214.7 mn.

Net profit structure in 2017–2019, RUB mn

Indicator	2017	2018	2019	Change 2019/2018	
Net profit	2,031.4	1,405.4	214.7	-1,190.7	-84.7%
• from electricity transmission	296.6	-400.4	-1,285.5	-885.1	221.1%
• from grid connection ¹	970.0	1,211.1	878.9	-332.2	-27.4%
• from electricity sales	-66.8	-39.6	11.7	51.3	-129.5%
• other services	831.6	634.3	609.6	-24.7	-3.9%

Profit distribution in 2016–2019, RUB thousand

Indicator	For 2016 (Meeting - 2017)	For 2017 (Meeting - 2018)	For 2018 (Meeting - 2019)	For nine months of 2019 (Meeting - 2019)
Retained profits	1,866,675	2,031,389	1,405,372	882,947
• reserve fund	0	0	0	x
• profit for development	0	1,152,361	529,210	x
• dividends	1,866,675	879,028	876,162	847,099
• recovery of losses of prior	0	0	0	x

The resolution on profit distribution following the results of 2019 will be adopted at the annual General Meeting of Shareholders, considering recommendations of the Company's Board of Directors.

Plans for 2020 and prospects for the development of the Company until 2024, RUB mn²

Indicator	2020 (Target)	2021 (Projection)	2022 (Projection)	2023 (Projection)	2024 (Projection)
Proceeds from product (service) sales	96,215	98,798	102,237	105,782	109,749
• from electricity transmission	92,916	95,299	98,713	101,924	105,476
• from grid connection	1,214	1,785	1,740	1,739	1,734
• from electricity sales	267	0	0	0	0
• from other services	1,818	1,714	1,784	2,119	2,540
Cost of sales	87,802	89,171	91,259	93,802	96,382
Gross profit	8,413	9,627	10,978	11,980	13,367
Net profit	1,951	2,856	3,944	4,510	5,340
EBITDA	18,067	19,143	20,468	21,499	23,019

¹ Grid connection commitments recognised in the financial statements as net profit.

² The projection data are indicated in line with IDGC of Centre's Business Plan approved by the Board of Directors on 31 December 2019 and set aside the risks that actually occurred from the moment the Company's Business Plan was approved until the publication of this Report.

ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE**Accounts receivable****Changes in accounts receivable in 2017–2019, RUB mn¹**

Indicator	2017	2018	2019	Change 2019/2018	
Accounts receivable	12,361.7	12,873.1	13,061.0	187.8	1.5%
Trade receivables:	11,177.5	11,616.1	12,229.7	613.5	5.3%
• electricity transmission	10,730.3	11,003.5	11,415.0	411.5	3.7%
• electricity sales	142.6	129.1	171.6	42.5	32.9%
Advances paid	131.0	131.7	180.8	49.1	37.3%
Other debtors	1,053.2	1,125.3	650.5	-474.8	-42.2%

The growth of accounts receivable in 2019 by RUB 187.8 mn (1.5%) was caused by an increase in trade receivables, including for electricity transmission services by RUB 411.5 mn.

In order to follow up the implementation of contractual obligations, the Company prepares and reviews receivables flow statements on a monthly basis. In case of a late payment over 30 days past due, the Company takes punitive measures as stated in the corresponding regulatory documents.

Handling overdue accounts receivable

The bulk of overdue receivables is attributed to arrears for electricity transmission services rendered. As of 31 December 2019, it amounts to RUB 13,479.0 mn.

With our claim management efforts aimed at recovering overdue receivables for electricity transmission services, we won 630 cases for a total of RUB 3,164.9 mn² in 2019; in 69 cases our claims totalling RUB 259.0 mn were dismissed. The share of claims satisfied in flavor of the Company amounted to 90.1%, up 0.28 p.p. year-on-year.

Last reporting year, the total amount of claims awarded by courts to the Company was RUB 4,714.2 mn (in 699 cases), while dismissed claims totalled RUB 611.3 mn (in 79 cases).

The increased collection of claims in the reporting year was attributable to higher charges as a result of an increase in tariffs for electricity transmission services.

According to the court judgments, collection of claims in the reporting year was enforced through writs of execution for the amount of RUB 985.9 mn, of which RUB 688.9 mn (69.9%) were repaid. In the previous year, enforcement covers claims for a total of RUB 1,341.6 mn, of which RUB 979.0 mn (73%) were repaid.

Structure of overdue debts by activities:

- 51.4%, or RUB 7,035.0 mn, to be controlled under the bankruptcy proceeding;
- 44.9%, or RUB 6,153.1 mn, to be enforced;
- 1.6%, or RUB 222 mn, to be restructured;
- 1.5%, or RUB 203.7 mn, to be worked off using the complaint procedure.

The remaining portion of the debt – 0.6%, or RUB 87.2 mn – is not yet repaid due to ongoing negotiations with consumers of services or in expectation of the next court hearings to increase the amount of claims.

3,164.9
RUB mn
amount of claims in court cases were awarded positive court decisions

¹ Data as of 31 December of the relevant period. Metrics are aligned with accounting (financial) statements of the Company for the reporting period.

² Sums indicated include the penalty for late payment or interest for the use of borrowed funds.

Accounts payable

Changes in accounts payable in 2017–2019, RUB mn¹

Indicator	2017	2018	2019	Change 2019/2018	
Accounts payable	10,683.2	14,153.1	13,199.3	-953.8	-6.7%
• trade payables	4,589.9	6,066.2	5,831.9	-234.3	-3.9%
• taxes and charges	1,685.9	1,597.2	2,381.8	784.5	49.1%
• advances received	2,925.2	2,241.2	2,730.0	488.8	21.8%
• other accounts payable	1,482.2	4,248.5	2,255.6	-1,992.9	-46.9%

The accounts payable decreased by RUB 953.8 mn, or 6.7%, mainly due to changes in the following items:

- trade payables – RUB 234.3 mn (the variance was due to repayment of current and overdue liabilities to the Company's counterparties);
- other payables – RUB 1,992.9 mn (since for timely settlement with the major counterparties, the Company signed

agency contracts in 2018 so that the expenses can be partially financed by the agent. The amount of debts to the agent at the end of 2018 amounted to RUB 2.6 bn; the debt was repaid in the first quarter of 2019).

The tax arrears grew by RUB 784.5 mn due to the actual accrual of VAT. This is a current liability.

As at the end of 2019, overdue payables amounted to RUB 1,233 mn, with a year-on-year increase of RUB 386 mn, which was mainly attributable to rising overdue payables to counterparties that fall under the category of small and medium-sized enterprises under the Investment and Repair Programmes.

CAPITAL

Capital of IDGC of Centre in 2017–2019, RUB mn

Indicator	2017	2018	2019	Change 2019/2018	
Equity	57,897.0	58,430.9	56,927.6	-1,503.4	-2.6%
Borrowed funds	61,769.0	64,105.2	67,335.7	3,230.5	5.0%
• loans and borrowings	41,491.0	40,407.2	43,175.4	2,768.2	6.9%
• Accounts payable	10,683.2	14,153.1	13,199.3	-953.7	-6.7%
Leverage	0.94	0.91	0.85	-0.1	-7.2%
Borrowed funds in liabilities, %	52	52	54	-	2 p. p.
Cash at the end of the period	1,358.7	786.3	1,015.9	229.6	29.2%
Net debt	40,132.3	39,620.9	42,159.5	2,538.6	6.4%

The equity capital of the Company is RUB 56,927.6 mn, or 46% of the total capital. The increase in the Company's equity by RUB 1,503.4 mn in absolute terms was caused by a slowdown of the financial result in the reporting year. Net profit was reduced by RUB 1,191 mn year-on-year.

The share of long-term liabilities went up from 31% in 2018 to 36% of the Company's capital. The change in the capital structure was primarily driven by the reclassification of long-term liabilities into current liabilities.

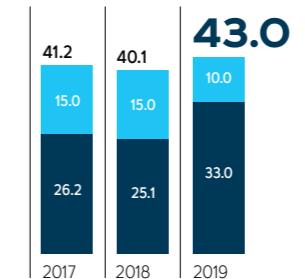
According to the results of financial and economic performance in 2019, the share of current liabilities in total liabilities occupied 18%.

Net debt rose by 6.4% due to a rise in borrowed funds by RUB 3,230.5 mn.

Debt portfolio structure

As of 31 December 2019, the Company's debt portfolio totalled RUB 43,033.9 mn vs RUB 40,085.0 mn as of 31 December 2018. Bonded debt is 23.3% of the debt portfolio.

Structure of the debt portfolio in 2017–2019, RUB bn



Indicators of financial stability in 2017–2019

Indicator	2017	2018	2019	Change 2019/2018, p.p.
Current liquidity ratio	0.81	0.62	0.75	0.13
Quick assets ratio	0.70	0.51	0.65	0.14
Return on equity (ROE), %	3.51	2.42	0.37	-2.0
EBITDA margin, %	21.27	17.64	16.97	-0.67
Equity to total assets ratio	0.48	0.48	0.46	-0.02
Leverage	0.94	0.91	0.85	-0.06
Long-term debt ratio, %	82.0	72.0	84.6	12.6
Net debt/EBITDA	2.07	2.39	2.63	0.24
Interest service coverage ratio	3.26	5.18	4.98	-0.20

With the reclassification of long-term liabilities into current liabilities, the values of year-end indicators went up. The Company timely repays its short-term liabilities both at the expense of its working capital, and through free credit lines and placement of bond issues.

The profitability ratios at the end of 2019 were reduced mainly due to a significant decrease in profit (before tax profit, net profit).

A key driver behind a 2 p.p. year-on-year decrease in return on equity ratio was a change in the Company's equity capital.

The equity autonomy ratio determines the share of the organisation's assets financed from equity. The ratio did not show any significant change in the period of under review.

The share of long-term debt in total debt at the end of 2019 increased and amounted to 85%, which fits in with to the policy of the Company to replace short-term liabilities with long-term ones.

The value of the Net Debt/EBITDA indicator is within an acceptable range.

The interest service coverage ratio describes the organisation's ability to service its debt obligations. The higher the interest service coverage ratio, the more stable the financial position of the organisation.

0.75
current liquidity ratio

2.63
net debt / EBITDA

4.98
interest service coverage ratio

¹ Data as of 31 December of the relevant period. Metrics are aligned with accounting (financial) statements of the Company for the reporting period.

PERFORMANCE MANAGEMENT PROGRAMME

The programme to improve operational efficiency and reduce costs of IDGC of Centre was approved by the Board of Directors in March 2019. The Programme's activities are included in the Business Plan, Investment Programme, Energy Saving and Energy Efficiency Programme, Innovative Development Programme, and other target programmes being implemented the Company.

The performance indicators of the Programme cover the targets set forth by Decree No. 2303p-P13 of the Government of the Russian Federation dated 16 April 2015.

Achievement of targets in 2017–2019, %

Indicator	Target	Effect		
		2017	2018	2019
Year-on-year reduction of per unit operating costs in the reporting year	2–3	6.8	4.2	5.7

Activities undertaken by IDGC of Centre in 2019 to enhance operational efficiency, RUB mn

No.	Improvement areas	Measures	Achieved financial effect
1	Enhancing the management efficiency relative to maintenance and repair of equipment, buildings, and facilities	Initiating the revision of the operating rules and other regulatory scientific and technical documentation	11.4
2	Enhancing the working capital management	Reduction in receivables accumulated at the beginning of the year	2,174.0
		Inventory optimisation	12.9
3	Enhancing the fixed assets management	Increase in equipment performance as a result of retrofitting and reconstruction of existing production facilities and construction of new ones. Utilisation of 6(10)/0.4 kV power transformers with lower power consumption (energy-efficient)	1.7
		Optimised depreciation deductions	47.5
		Reduction in costs associated with maintenance and management of non-core assets, including costs associated with the disposition of these assets	1.5
4	Enhancing the procurement and supply chains management system	Obtaining the financial effect following the results of trading and procurement procedures through rebidding	269.9
5	Introducing the modern technologies and implementing the innovations	Measures under the Innovative Development Programme	19.7
6	Optimising the Staff Incentives and Remuneration System	Creation of a unified policy for staff remuneration	578.1
		Creation of a unified policy for staff non-financial incentives	43.6
7	Enhancing the organisational and functional structure, headcount optimising	Streamlining of the business processes of subsidiaries and affiliates, elimination of redundant levels of management, overlapping functions, standardisation of the production structure. Centralisation of supporting functions at the level of the executive office of subsidiaries and affiliates. Planning the number of administrative staff in line with the developed regulatory standards	269.3
8	Enhancing energy efficiency	Programme for Energy Saving and Improvement of Energy Efficiency (without measures of the Programme to reduce electricity losses)	5.5
		Programme's initiatives to reduce electricity losses (included in the Investment Programme of the Company)	1,376.5

5.7%

financial savings from the Company's activities in 2019

SUMMARY OF IFRS FINANCIAL RESULTS

Entities within the group of companies, except for IDGC of Centre

Designation	Ownership share, %	Core business
Joint Stock Company "Sanatorium "Energetic"	100	Health resort services
Joint Stock Company Yaroslavl Electric Grid Company (JSC YarEGC)	51	Electric grid services
Joint Stock Company Voronezh City Electric Grids (JSC VGES)	100	Electric grid services
Joint Stock Company Tula City Electric Grids (JSC TGES)	69.9992	Electric grid services

Key financial results in 2017–2019, RUB bn (unless otherwise specified)

Indicator	2017 (adjusted)	2018	2019	Change 2019/2018, %
				Change 2019/2018, %
Revenue	91.1	93.9	94.6	0.7
Electricity transmission services	87.6	90.0	90.9	1.0
Grid connection services	1.6	1.9	1.6	-15.8
Revenue from electricity and capacity resale	0.5	0.5	0.5	0.0
Other revenues	1.4	1.5	1.6	6.7
OPEX	-83.1	-87.2	-88.5	1.5
Other revenues	1.1	1.4	2.5	78.6
Operating profit	9.2	7.4	8.1	9.5
EBITDA	18.8	17.2	18.9	9.9
EBITDA margin, %	20.6	18.3	20.0	9.3
Profit for a period	2.8	3.0	3.2	6.7
Profit for a period, %	3.1	3.2	3.4	6.3
Indicator	As at 31 December 2017 (adjusted)	As at 31 December 2018	As at 31 December 2019	Change 2019/2018, %
Total capital	42.6	44.9	46.1	2.7
Total assets	104.0	108.1	118.4	9.5
Loans and borrowings	41.5	40.4	46.5	15.1
Cash and cash equivalents	1.4	0.8	1.5	87.5
Net debt ¹	40.1	39.6	45.0	13.6

In accordance with International Financial Reporting Standards (IFRS) for 2019, profit for the period amounted to RUB 3.2 bn, up RUB 0.2 bn year-on-year.

Revenue amounted to RUB 94.6 bn, which includes RUB 90.9 bn from electricity transmission services, RUB 1.6 bn from grid connection services, RUB 0.5 bn from the resale of electricity and capacity, RUB 1.6 bn – other revenues. The increase in consolidated revenue was primarily attributable to a higher tariff for electricity transmission.

9.9%
EBITDA growth (IFRS)

6.7%
net profit growth (IFRS)

9.5%
growth in assets (IFRS)

¹ The net debt ratio is calculated by the formula: Long-term loans and borrowings + Short-term loans and borrowings – Cash and cash equivalents.

Operating expenses of the Company for 2019 amounted to RUB 88.5 bn, up 1.5% year-on-year. The key contributor to this uptick was the growth of the following uncontrolled expenses:

- by 10.5% of expenses on taxes and charges due to the growth of the property tax rate in accordance with Art. 380 of the Tax Code of the Russian Federation;
- by 9.1% of the accrued depreciation due to the commissioning of new facilities as part of the implementation of the investment programme and depreciation of the right-of-use assets in light of the new IFRS 16 Leases standard applied from 1 January 2019;
- by 1.3% of expenses on the purchase of electricity to compensate for process-related losses as a result of an increase in the electricity prices on the Wholesale Electricity Market.

Earnings before interest, taxes, depreciation, and amortisation (EBITDA) in 2019 amounted to RUB 18.9 bn; EBITDA margin in 2019 stood at 20.0%.

As of 31 December 2019, the Company's assets totalled RUB 118.4 bn (as of 31 December 2018 – RUB 108.1 bn); net debt amounted to RUB 45.0 bn (as of 31 December 2018 – RUB 39.6 bn). The growth in the net debt was attributable to the application of the new IFRS 16 Leases standard from 1 January 2019, due to which loans and borrowings included leasing obligations in the amount of RUB 2.9 bn, and also to attraction of credit resources for 12 months of 2019 to cover the current and investment expenses of the Company.

GRI 201-1

Direct economic value, generated and distributed, RUB mn

Indicator	2017	2018	2019	Change 2019/2018	
				abs.	%
Generated direct economic value	91,609.5	94,091.1	94,919.3	828.2	0.9
Distributed economic value:	89,336.9	92,741.9	93,321.5	579.6	0.6
• operating expenses	62,002.6	66,145.6	66,243.9	98.3	0.1
• salary, other payments and benefits for employees	18,621.1	19,363.0	19,146.0	-217.0	-1.1
• payments to equity providers	4,925.4	4,072.3	4,065.1	-7.2	-0.2
• payments to the state	3,719.6	3,123.0	3,849.5	726.5	23.3
• investments to local communities	68.2	38.0	17.0	-21.0	-55.3
Undistributed economic value	2,272.6	1,349.2	1,597.8	248.6	18.4

In 2019, the generated direct economic value increased by RUB 828.2 mn year-on-year and amounted RUB 94,919.3 mn. The growth was attributed to the higher revenue of the Company, including:

- increase of the revenue from electricity transmission services by RUB 871.3 mn due to higher tariffs for those;
- increase of the revenue from other activities by RUB 92.2 mn (6.3%) driven by rendering more services in the following areas: "Organisation of outdoor lighting systems", "Operational maintenance and repair of power grids and electrical equipment", "Reconstruction of power grid facilities of PJSC IDGC of Centre for the benefit of customers", "Installation and replacement of metering devices", and "Provision of technical resources".
- increase of interest income by RUB 53.3 mn through active depositing of temporarily free cash in first rate banks.

At the same time, revenue from grid connection services dropped by RUB 321.9 mn because of a major grid connection agreement with the Russian Ministry of Defense implemented in the Belgorodenergo branch in 2018.

In 2019, the distributed economic value amounted to RUB 93,321.5 mn with a year-on-year increase of RUB 579.6 mn (RUB 92,741.9 mn in 2018). The major growth was posted in the operating expenses and payments to the state.

The average weighted borrowing rate of IDGC of Centre as at 31 December 2019 was 7.32%.

Despite the negative contributions, the group of companies in 2019 gained a positive financial result, which amounted to RUB 3.2 bn.

The financial standing of the group of companies at the end of 2019 is characterised as stable.

3.2 RUB bn
profit in 2019 (IFRS)

INVESTMENTS

IDGC of Centre is a backbone infrastructure company in the regions of its operations. The investments made by the Company make a notable contribution to the economic prosperity of each region, and modernisation and new construction promote up the reliability of the power grid complex.

The Investment Programme of the Company is aligned with regional development plans, technical state of power grids, and available financing sources generated from tariff and balance decisions.

The 2019 Investment Programme was approved by Order No. 35@ of the Ministry of Energy of Russia dated 26 December 2019.

13.6 RUB bn
scope of the Investment Programme in 2019

426 MVA
3.4 thousand km
capacities commissioned in 2019

The key parameters of the Investment Programme in 2017–2020

Year	CAPEX, RUB mn (excl. VAT)	Fixed assets commissioned, RUB mn	Financing, RUB mn (incl. VAT)	Capacity commissioned	
				MVA	km
2017	11,756	11,823	14,198	560	4,075
2018	12,230	12,702	14,493	376	3,598
2019	target	12,446	11,174	405	3,240
	actual	11,836	11,246	426	3,351
2020 (target)	13,393	14,573	16,640	506	3,253

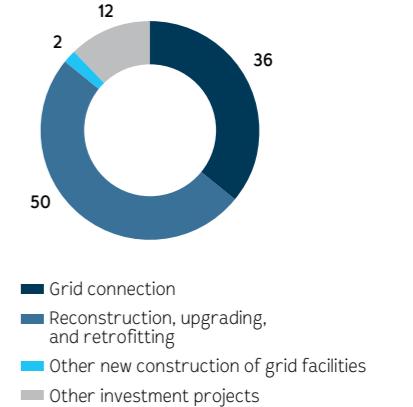
PRIORITIES AND STRUCTURE OF CAPITAL INVESTMENT FINANCING

Since the transaction on the acquisition of the power grid facilities of the Lipetsk Region, which are under the economic jurisdiction of "Lipetsk Regional Public Utility" regional state unitary enterprise (RSUE LOKK), by the Lipetskenergo branch was excluded from the draft adjusted investment programme, the financing in 2019 went down.

The reduced funding for grid connections in 2019 was brought about by a decrease in the amount of grid connections for all categories of applicants.

The funding for "Reconstruction, upgrading, and retrofitting" in 2019 was increased year-on-year due to the commencement of operations under the Digital Transformation Programme combined with the need to sustain the level of works on the reconstruction of power grid equipment.

Capital investment financing structure in 2019, %



Capex financing structure in 2017–2019, RUB mn (incl. VAT)

Capex area	2017	2018	2019
Grid connections	6,475	6,041	4,847
Reconstruction, upgrading, and retrofitting	4,449	5,555	6,715
Investment projects delivered through the schemes and programmes for the power industry prospective development	45	14	16
Other new construction of grid facilities	662	351	328
Purchase of land parcels for investment projects	-	-	-
Other investment projects	2,567	2,532	1,657
Total	14,198	14,493	13,563

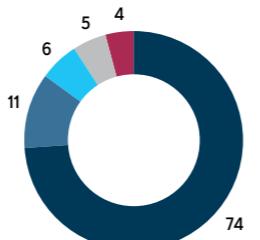
Financing sources of the Investment Programme

The proportion of borrowed funds decreased to 11%. The scope of equity financing sources increased to 89%. The main equity financing sources include depreciation (RUB 10.1 bn, or 74%), as well as profits from grid connection (RUB 0.8 bn, or 6%) and VAT recovery (RUB 0.7 bn, or 5%). The scope of other equity funds attracted mainly to cover the relocation of grids under income generating contracts with applicants amounted to RUB 0.5 bn, or 4%.

The need to reduce the debt burden will necessitate maintaining the leverage ratio at the achieved level.

The Company's Investment Programme does not include projects financed from federal budget funds.

Structure of capital investment financing sources in 2019, %



■ Depreciation
■ Borrowed funds
■ Grid connection profit
■ VAT recovery
■ Other equity funds

Major projects in 2019

Branch	Project/commissioning period	Project description	Project scope
Voronezhenergo	Construction of 110 kV cable lines at the 220 kV Buturlinovka substation – the 110 kV Buturlinovka-2 substation, single, double circuit Commissioned in Q3 2019	Length 0.97 km	Providing power delivery to Novovoronezh NPP-2 through the grids of IDGC of Centre
		Project cost: RUB 29 mn (excl. VAT)	
Bryanskenergo	Construction of the 10 kV distribution grid. Commissioned in Q3–Q4 2019	Length 3.35 km	Grid connection of Miratorg facilities and development of the Bryansk Region
		Project cost: RUB 11.2 mn (excl. VAT)	
Bryanskenergo	Reconstruction of the 110/35/6 kV Yubileynaya substation with the replacement of 2x16 with 2x25 MVA power transformers Commissioned in Q4 2019	Capacity 50 MVA	Elimination of the capacity shortage of Unecha Nutrition Centre and development of the Bryansk Region
		Project cost: RUB 22.3 mn (excl. VAT)	

LONG-TERM INVESTMENT PROGRAMME

In 2019, amendments to the draft investment programme of IDGC of Centre for 2019–2024 were approved (Order No. 35 @ of the Ministry of Energy of Russia dated 26 December 2019).

The following factors were taken into account in developing the programme:

- territory development plans;
- technical state of power grids;
- significance of power supply facilities;
- projected revenue from electricity transmission;
- income from grid connection agreements.

The decisions made in development of the investment programme comply with the goals and objectives of the Uniform Technical Policy in the distribution grid complex and with the effective legislation.

The total financing has been increasing by 2020 to RUB 16.6 bn (incl. VAT) and in the period of 2021–2024 remains in the range of RUB 14.5–15.0 bn annually.

The changes were brought about by the activities under the digital transformation programme. Most of activities were carried out in 2020. In this regard, the financing for "Reconstruction, upgrading, and retrofitting" increased from RUB 5.5 bn in 2019 to RUB 8.1 bn in 2020 and accounts for 57% of the total investment programme in 2020.

Since 2020, the total annual scope of the reconstruction programme has amounted to at least RUB 6.4 bn, or 44%, vs RUB 5.5 bn, or 39%, in 2019.

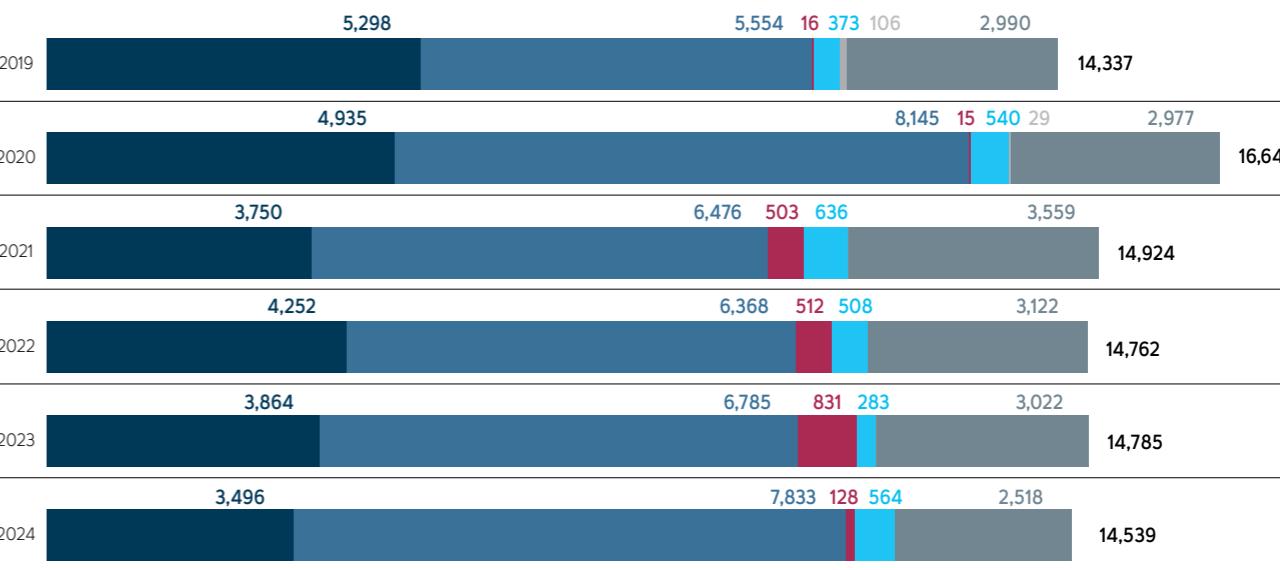
Such an increase was necessitated not only by a digital transformation programme, but also a comprehensive reconstruction programme for power grid equipment with an aim to reduce the existing technical deterioration of power grids.

The total amount of financing for grid connection is quantified by existing applications for grid connection of consumers and in the structure of the investment programme

for 2019–2024 accounts for 24–37%. The largest scope falls on 2019 – RUB 5.3 bn, or 37% of the annual volume of financing of the investment programme, and is determined by existing applications at the time of approval of the investment programme.

For "Other investment projects", the amount of financing will have been increased by 2021 to RUB 3.6 bn, which is 25% of the volume of the investment programme. By 2024, the volume of financing will have been reduced to RUB 2.5 bn, which is 18% of the investment programme. This trend is governed by the need to implement a programme for the development of the automated electric power fiscal metering systems (AMR) under the Digital Transformation Programme of the Company. The implementation of the programme involves the financing of a significant amount of activities between 2020 and 2021 and the completion of the final stages in subsequent years.

Structure of financing of the Long-term Investment Programme in 2019–2024, RUB mn (incl. VAT)



■ Grid connection
■ Retrofitting and upgrading
■ Other new construction
■ Prospective development schemes and programmes
■ Purchase of power grid assets and land plots
■ Other investment projects

**Up to RUB 16.6 bn (incl. VAT)
will increase the total funding in 2020**

**RUB 8.1 bn,
or 57% of the total Investment Programme,
will be allocated for reconstruction, upgrading
and retrofitting in 2020**



05

CORPORATE GOVERNANCE

94% of the recommendations

of the Corporate Governance Code of
the Bank of Russia was observed by
the Company in 2019 (in 2018 - 91%)

In August 2019, RID confirmed the corporate
governance rating of IDGC of Centre

at NCGR 7+
“Developed
Corporate Governance
Practice”

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



Alexander Kazakov

GRI 102-14

Dear shareholders,

Improvement of corporate governance has been the indisputable priority of IDGC of Centre over the years and is also the case this year.

One of the key development areas is the adaptation of principles and recommendations outlined in the Corporate Governance Code of the Bank of Russia. On a year-on-year basis, the Company complied with 94% of recommendations, completely or partially (91% in 2018, 82% in 2017), while the share of fully observed recommendations increased in the reporting year up to 80%¹.

In 2019, there were some positive developments that helped improve the rating. For the first time, four independent directors (more than 1/3) joined the Company's Board of Directors, 2/3 of the Board's Audit Committee are independent directors as well. The Committee is chaired by an independent director. In the reporting year, the Company established the practice of inviting all independent directors, who do not belong to the Audit Committee, to in-person meetings of the Committee providing them with a possibility to participate in discussions.

The Board of Directors conducted the first self-assessment of its performance and the performance of its committees in the 2018/2019 corporate year; this practice was continued in the reporting year as well. The Company plans to involve an independent consultant in the future.

In the reporting year, the shareholders approved the new version of the Article of Association of the Company, the new version of the Regulations on the General Meeting of Shareholders, the Board of Directors and the Management Board of the Company and also the new version of the Regulations on the Payment of Remuneration and Compensation to the Members of the Board of Directors.

In October 2019, the Board of Directors renamed the Strategy and Development Committee into the Strategy Committee and approved the new Regulation on this Committee. New versions of these documents accommodate legislative changes, recommendations of the Corporate Governance Code and are aimed at improving the quality of the corporate governance of the Company and following the best practices.

In August 2019, the Company arranged a meeting of its management with representatives of minority shareholders. It was the first-ever event of such scale, which contributed to the cooperation between the Company's management and key shareholders.

That is just a part of daily diligent work towards better corporate governance in the Company and fostering dialogue with the investment community. Compliance with the best corporate governance standards and practices and high level of information transparency and corporate reporting remain the primary prospective tasks of the Company.

Compliance with the principles and recommendations of the Corporate Governance Code in 2017-2019

Corporate Governance Principles	Number of Code recommendations evaluated	2019			2018			2017		
		+	+/-	-	+	+/-	-	+	+/-	-
Shareholder rights and equality of conditions for shareholders in exercising their rights	13	12	1	0	12	1	0	10	2	1
Company's Board of Directors	36	27	6	3	24	7	5	18	8	10
Corporate Secretary	2	2	0	0	2	0	0	2	0	0
Remuneration system for members of the Board of Directors, executive bodies and other key employees of the Company	10	8	1	1	8	1	1	7	1	2
Internal Control and Risk Management System	6	6	0	0	6	0	0	6	0	0
Public Disclosure, Information Policy	7	7	0	0	6	1	0	3	4	0
Major corporate actions	5	1	3	1	1	3	1	1	3	1
Total	79	63	11	5	59	13	7	47	18	14
	100%	80%	14%	6%	75%	16%	9%	59%	23%	18%

For reference, by the end of 2017, the score was 442.8, or 80.4% - Advanced Practice specifying that the corporate governance is effective but can be improved on a few matters.

CORPORATE GOVERNANCE RATING

In August 2019, the Russian Institute of Directors affirmed the national corporate governance rating of IDGC of Centre at NCGR 7+ (Developed Corporate Governance Practice).

The high rating proves that the Company complies with the Russian corporate governance laws and follows most of the recommendations from the Corporate Governance Code of the Bank of Russia. The Company is characterised by relatively low risks of owner losses connected with the corporate governance quality.

CORPORATE GOVERNANCE ASSESSMENT

For the second consecutive year, the Internal Audit assessed the corporate governance efficiency of IDGC of Centre. The assessment was aligned with the Guidelines on the efficiency assessment of the corporate governance system at IDGC of Centre. In 2019, the following corporate governance components were assessed:

- shareholders' rights;
- Board of Directors;
- executive management;
- information transparency and disclosures;
- risk management, internal control, and internal audit;
- corporate social responsibility, business ethics, and compliance.

By the end of the 2018/2019 corporate year, IDGC of Centre scored 464.3, or 87.1%, which corresponds to the Advanced Practice rating specifying that corporate governance conforms to the advanced practice and has potential for enhancing on a few matters.

COMPANY TRANSACTION APPROVAL POLICY

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

In 2019, the Company made no major transactions. Information on related-party transactions made by IDGC of Centre in 2019 is given in Appendix No. 5 to the Annual Report.

To mitigate the risk of improper disposal of assets, the Articles of Associations was completed with an expanded list of transactions with the Company's property that are subject to mandatory pre-approval by the Board of Directors.

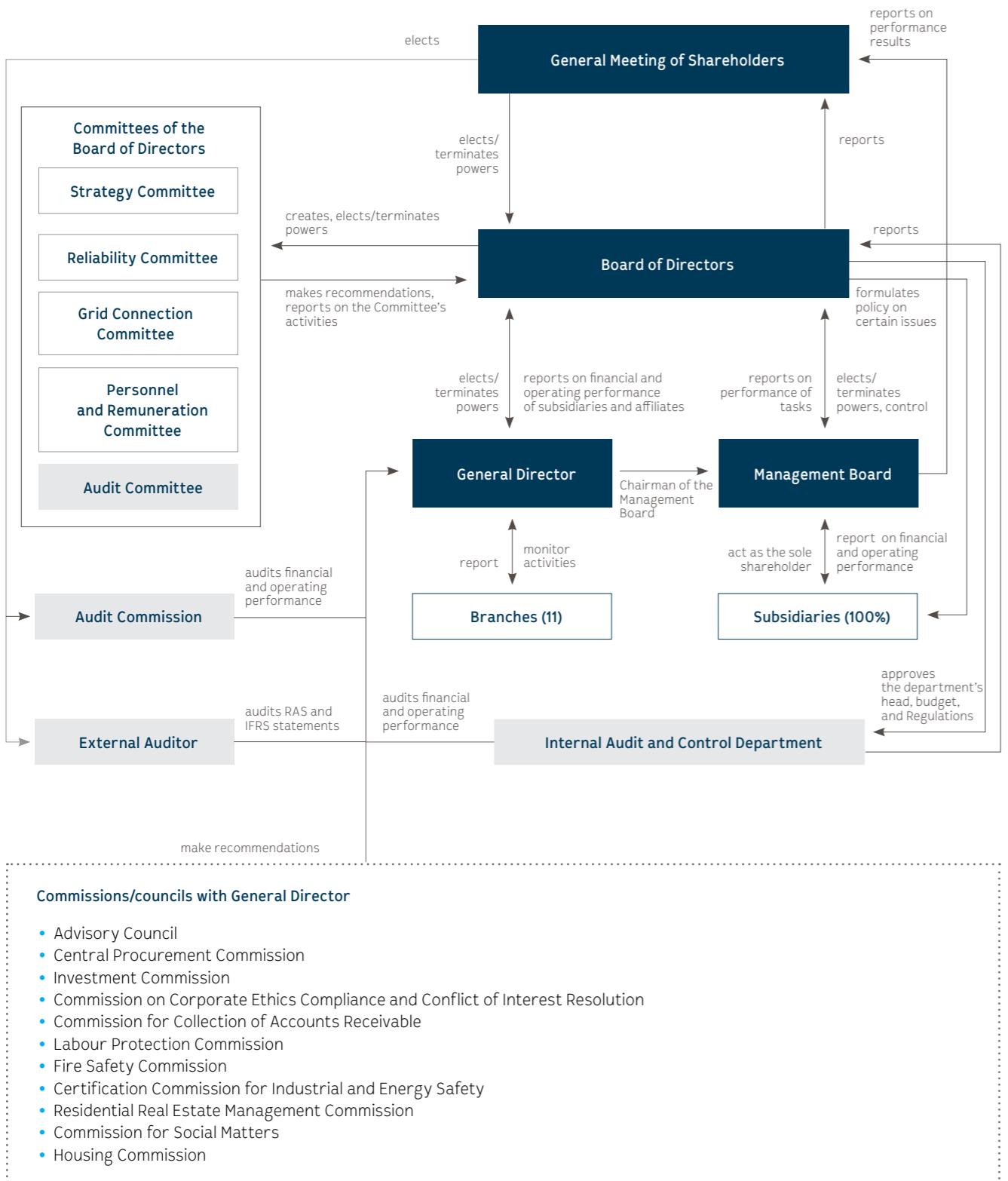
Decisions on issues regarded as major corporate actions, according to the Corporate Governance Code, fall within the competence of the Company's General Meeting of Shareholders or the Board of Directors. Most of them (except for delisting matters) are preliminarily discussed by the Strategy Committee of the Board of Directors. Thus, the significant issues are thoroughly analysed and considered while formulating recommendations for the Board of Directors. Members of the Board of Directors included into the Strategy Committee (four directors, three of them being independent directors) can receive the materials related to these issues beforehand and call for necessary clarifications to form their opinion.

Apart from major transactions and related-party transactions, IDGC of Centre has made a list of transactions deemed to be material for the Company: transactions with over 2% of assets (in terms of value), transactions with state-owned companies, and intra-group transactions (transactions with subsidiaries and members of management bodies). A quarterly review of such transactions is posted on the Company's website.

¹ For more details on the Company's compliance with principles and recommendations of the Bank of Russia's Corporate Governance Code, please see Appendix No. 4 to the Annual Report.

GRI 102-18, 102-19, 102-20

STRUCTURE OF GOVERNANCE AND CONTROL BODIES



GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders is the Company's supreme management body. The shareholders provide management of the Company by taking decisions on critical matters of the Company's operations.

The competence of the General Meeting of Shareholders, the procedure of its preparation and holding are regulated by the Russian legislation, the Articles of Association, and the [Regulations on the General Meeting of Shareholders of IDGC of Centre](#).

While preparing, convening and holding the General Meeting of Shareholders, the Company observes the requirements and recommendations given in the [Regulations on General Meeting of Shareholders and Corporate Governance Code of the Bank of Russia](#), thereby allowing equal opportunities to all the Company's shareholders, including minority and nonresident ones, to act effectively during the Meeting:

- provides available communication means (telephone line, e-mail) for shareholders to express their opinion and send questions on the agenda while preparing for the General Meeting of Shareholders;
- notifies the shareholders about the General Meeting of Shareholders by posting a message on the Company's website on the Internet at least 30 days before the meeting date;
- ensures access to materials on the [Company's website](#) at least 30 days before the date of the General Meeting of Shareholders, provides additional information and materials as recommended by the Code. The Company also informs on how to reach the venue of the General Meeting of Shareholders, offers a model form of the power of attorney a shareholder can issue for its representative to participate in the meeting, provides data on the certification of such power of attorney;
- offers an option to fill in an e-form on the [website of the Company's Registrar](#) for persons entitled to participate in the General Meeting of Shareholders;
- submits all information also in English to ensure equal treatment of all the shareholders, including nonresident ones.

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

MEETINGS HELD IN 2019

On 30 May 2019, the annual General Meeting of Shareholders of IDGC of Centre was held in person. The results of the annual General Meeting of Shareholders were as follows:

- approval of the Annual Report, annual accounting (financial) statements for 2018;
- allocation of a part of net profit amounting to RUB 876,162 thousand to pay dividends;
- election of new members to the Board of Directors and Audit Commission of the Company;
- approval of the Company's Auditor for 2019;
- approval of new versions of: the Articles of Associations, the Regulation on the Board of Directors, the Regulation on the Management Board of the Company, the Regulation on the General Meeting of Shareholders, and the Regulation on the Payment of Remuneration and Compensation to Members of the Board of Directors of IDGC of Centre;
- approval of the Company's membership in SRO Centralskaniya Association and Non-profit Partnership Scientific and Technical Council of the Unified Energy System.

On 30 December 2019, the extraordinary General Meeting of Shareholders of IDGC of Centre was held by absentee voting. Following the results of the extraordinary General Meeting of Shareholders, the resolution was adopted to pay out a dividend of RUB 0.0200649 per ordinary share of the Company from the net profit for 9 months of 2019.

¹ Resolutions adopted by the General Meeting of Shareholders in 2019 are available on the Company's website at <https://www.mrsk-1.ru/en/about/management/controls/stockholders/>.

Attendance of the General Meeting of Shareholders by IDGC of Centre's shareholders in 2017–2019

Meeting date	Indicator	Individuals		Legal entities		Total	
		in person	in absentia	in person	in absentia	in person	in absentia
08.06.2017	Number of voters	76	2,170	16	23	92	2,193
	Number of voting shares	1,105,979,716	743,278,849	32,695,318,046	3,287,123,694	33,801,297,762	4,030,402,543
31.05.2018	Number of voters	75	2,293	13	13	88	2,306
	Number of voting shares	945,327,428	898,953,540	32,963,580,940	2,751,122,264	33,908,908,368	3,650,075,804
Also in electronic form ¹	Number of voters	45	2,149	2	7	47	2,156
	Number of voting shares	4,584,627	733,782,204	22,090,473,501	2,626,868,999	22,095,058,128	3,360,651,203
30.05.2019	Number of voters	89	1,157	12	17	101	1,174
	Number of voting shares	1,057,423,908	736,777,578	32,909,580,942	1,823,098,386	33,967,004,850	2,559,875,964
Also in electronic form	Number of voters	47	879	2	8	49	887
	Number of voting shares	56,239,594	529,430,382	22,056,473,501	1,635,141,230	22,112,713,095	2,164,571,612
30.12.2019	Number of voters	0	500	0	11	0	511
	Number of voting shares	0	372,332,255	0	31,033,754,985	0	31,406,087,240
Also in electronic form	Number of voters	0	337	0	10	0	347
	Number of voting shares	0	324,949,473	0	31,018,176,260	0	31,343,125,733

Dynamics of electronic voting at the General Meeting of Shareholders (GMS), % of the number of votes

¹ Voting by filling-in an e-form on the Registrar's website.

GRI 102-22, 102-23, 102-24

THE BOARD OF DIRECTORS

IDGC of Centre's Board of Directors provides general management of the Company's activities and operates within the competence regulated by Federal Law No. 208-FZ dated 26 December 1995 "On Joint-Stock Companies", the Articles of Associations and internal documents of the Company.

The size of the Board of Directors (11 members) optimally matches the current goals and objectives of IDGC of Centre, as well as the industry practice, and allows the Board of Directors to achieve the balance of competencies (professionalism, knowledge, experience) among its members.

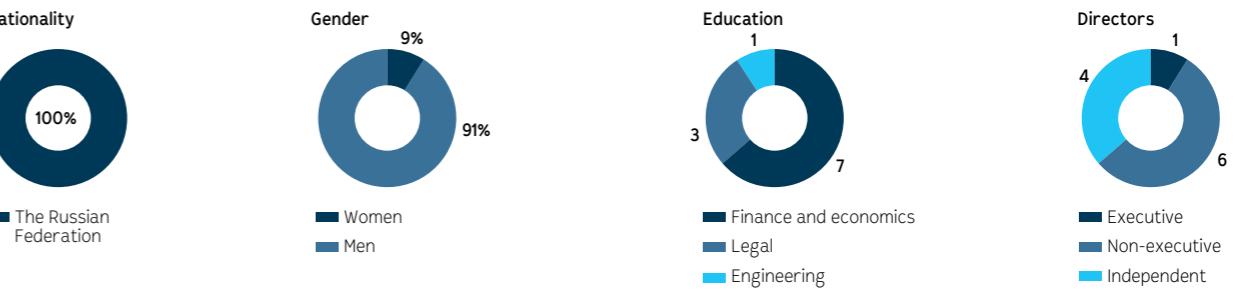
ONBOARDING NEWLY ELECTED MEMBERS OF THE BOARD OF DIRECTORS

In 2019, newly elected members of the Board of Directors (A. Golovtsov, V. Zarkhin, A. Logatkin, D. Chevkin) were familiarised with main internal strategic documents of the Company in order to ensure the effective performance of the Board of Directors and committees (the quickest and most effective integration into the above bodies). The Company also arranged a meeting with the executive management and key employees, where IDGC of Centre's management reported on core issues of the Company's operation. In line with the Guidance on the onboarding of newly elected members of the Board of Directors and committees, the Corporate Secretary continuously educates each of the assistants and experts authorised by members of the Board of Directors and committees to raise their awareness on the procedure of interaction with the Company while supporting the activities of the Board of Directors and committees.

GRI 405-1

COMPOSITION OF THE BOARD OF DIRECTORS

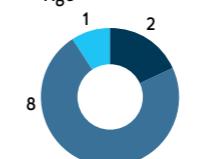
Diversification of the current Board of Directors



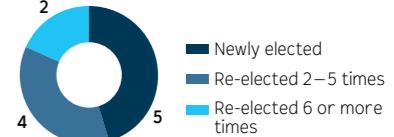
Representation of interests of various shareholder groups



Age



Record of work on the Board of Directors



INDEPENDENT DIRECTORS

In 2019, the Board of Directors included four independent directors for the first time ever: A. Varvarin, A. Golovtsov, V. Zarkhin, A. Shevchuk. IDGC of Centre's Board of Directors recognised these directors as independent, considering the preliminary assessment performed by the Personnel and Remuneration Committee to check compliance with independence criteria specified by the Code and Listing Rules of Moscow Exchange.

The resolution of the Board of Directors on recognising A. Varvarin, A. Golovtsov, V. Zarkhin, and A. Shevchuk as independent directors relied on the fact that they possess acknowledged good business standing, among investors as well, will promote an effective system of checks and balances in the IDGC of Centre corporate management model, will favour decisions accommodating the interests of various groups of stakeholders and improve the quality of management decisions. With the increased number of independent directors, the Board of Directors improved its performance as to ensuring the objectivity in considering issues.

Most of the elected members of the Company's Board of Directors are acknowledged experts in the power industry, finance, law, strategic management, audit, risk management, and corporate governance; have previous experience in boards of directors or in senior positions of other joint-stock companies, shares of which are included in quotation lists of organised trading facilities (stock exchanges), including in international companies.

**CURRENT MEMBERS OF THE BOARD OF DIRECTORS ELECTED AT THE ANNUAL
GENERAL MEETING OF SHAREHOLDERS ON 30 MAY 2019¹**

01. ABOUT THE COMPANY
02. DEVELOPMENT STRATEGY
03. PERFORMANCE REPORT
04. FINANCIAL REVIEW

05. CORPORATE GOVERNANCE
06. CORPORATE
RESPONSIBILITY
07. APPENDICES



ALEXANDER KAZAKOV

Chairman of the Board of Directors
Non-Executive Director

**Chairman of the Board of Directors
of IDGC of Center and Volga Region, PJSC**

Year of birth: 1948

A Russian citizen

Education

In 1971, graduated from Moscow Engineering and Economic Institute named after S. Ordzhonikidze with a degree in Engineering and Economics.

Doctor of Economics.

Positions held over the past five years
From 2011 to 2019, served as the Chairman of the Board of Directors of JSC Far Eastern Energy Management Company.

Recipient of a number of state and industry awards.

Member of the Board of Directors from 31 May 2018.

LARISA ROMANOVSKAYA

Non-Executive Director
An employee of the majority shareholder

Deputy Director General for Government Relations of PJSC Rosseti

Year of birth: 1972

A Russian citizen

Education

In 1995, graduated from the Samara State Economic Academy with a degree in Economics.

Positions held over the past five years

Served as an Adviser, Top Adviser of PJSC Rosseti, General Director of LLC Ensol, General Director of LLC Svyo Khleb.

Currently, she holds membership in the Management Board of Association of Digital Development Organisations at the Digital Power Industry, the Board of Directors of PJSC MOESK, PJSC Lenenergo, acts as the Deputy General Director for Human Resources

Management, Government and Media Relations at PJSC Rosseti.
Chairman of the Personnel and Remuneration Committee of the Board of Directors at IDGC of Centre.

Member of the Board of Directors from 31 May 2018.

IGOR MAKOVSKIY

Executive Director

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

Year of birth: 1972

A Russian citizen

Education

In 1993, graduated from the Alma-Ata Border Command School named after F. Dzerzhinsky with a degree in Command and Tactical Life Support; in 2000, the Kaliningrad State University with a degree in Law; in 2004, North-Western Academy of State Service, retraining under the State and Municipal Management programme.

Positions held over the past five years

Held positions of the acting General Director, General Director, Chairman of the Management Board at JSC Yantarenergo.

Currently, serves as the Chairman of the Management Board of PJSC IDGC of Center and Volga Region, Chairman of the Board of Directors of JSC YarESK, JSC Yantarenergoservis, JSC Yantarenergo, JSC Kaliningrad Generating Company, holds membership in the Board of Directors at PJSC IDGC of Center and Volga Region, JSC Yantarenergosbyt.

Recipient of a number of industry, state, corporate and other awards.

Member of the Board of Directors from 30 May 2019.

ALEXANDER VARVARIN

Independent Director
Non-Executive Director

Vice-President - Managing Director of Statutory Regulation and Legal Support at the Russian Union of Industrialists and Entrepreneurs, General Director of NP "Centre for Development of Corporate Relations and Resolution of Economic Disputes"

Year of birth: 1975

A Russian citizen

Education

In 1998, graduated from the Institute of International Law and Economics named after A. Gribodoev with a degree in Jurisprudence.

Positions held over the past five years

For the last five years, served as Vice President - Managing Director of Corporate Relations and Legal Support Office at the Russian Union of Industrialists and Entrepreneurs.

Currently, he is a member of the Board and General Director of NP "Centre for Development of Corporate Relations and Resolution of Economic Disputes", Chairman of the Board of the Association "Interregional Self-Regulating Organisation of Professional Arbitration Managers", member of the Board of Directors of PJSC Kubanenergo, member of the Board of NP "Institute of Internal Auditors".

Chairman of the Audit Committee and member of the Personnel and Remuneration Committee of the Board of Directors at IDGC of Centre.

Member of the Board of Directors from 31 May 2018.

ALEXANDER GOLOVTSOV

Independent Director
Non-Executive Director

Year of birth: 1973

A Russian citizen

Education

In 1996, graduated from the Baltic State Technical University named after D. Ustinov with a degree in Electrical Engineering.

Positions held over the past five years

From 2005 to 2019, served as the Head of the Analytical Investigation Office of JSC URALSIB Management Company.

Currently, he is a member of the Board at the Association of Institutional Investors, member of the Board of Directors of PJSC IDGC of Volga, PJSC IDGC of North-West.

Member of the Strategy Committee, Grid Connection Committee of the Board of Directors at IDGC of Centre.

Member of the Board of Directors from 30 May 2019.

VITALIY ZARKHIN

Independent Director
Non-Executive Director

Year of birth: 1976

A Russian citizen

Education

In 1998, graduated from the State University - Higher School of Economics with a bachelor degree in Economics; in 2000, took a master degree in Management.

Positions held over the past five years

From 2011 to 2018, served as the Managing Director of Gazprombank (JSC).

Currently, he is a member of the Board of Directors at PJSC IDGC of Center and Volga Region, PJSC IDGC of South, PJSC Enel Russia.

Member of the Strategy Committee of IDGC of Centre's Board of Directors.

Member of the Board of Directors from 30 May 2019.

¹ Data are given as at 31 December 2019, in line with the current Russian laws on personal data.

**CURRENT MEMBERS OF THE BOARD OF DIRECTORS WERE ELECTED AT THE ANNUAL
GENERAL MEETING OF SHAREHOLDERS ON 30 MAY 2019
(CONTINUED)**

01. ABOUT THE COMPANY
02. DEVELOPMENT STRATEGY
03. PERFORMANCE REPORT
04. FINANCIAL REVIEW

05. CORPORATE GOVERNANCE
06. CORPORATE
RESPONSIBILITY
07. APPENDICES



**ANDREY
LOGATKIN**

Non-Executive Director
An employee of the majority shareholder

Director of the International Cooperation Department of PJSC Rosseti

Year of birth: 1979

A Russian citizen

Education

In 2004, graduated from Università commerciale Luigi Bocconi (Milano, Italy) with a degree in Economics and Enterprise Management (by sector).

Positions held over the past five years

Served as an Advisor of the Chairman of Rossetti's Board of Directors, Deputy General Director for International Cooperation of JSC IDGC Research, Development and Engineering Centre, General Director of LLC Artpol Anapa Hills, Advisor of the President of LLC Artpol Holding.

Currently, he holds membership in the Board of Directors of JSC ENIN, serves as an Executive Director of the Russian National Committee of the World Energy Council.

Member of the Personnel and Remuneration Committee of the Board of Directors at IDGC of Centre.
Member of the Board of Directors from 30 May 2019.

**ALEXEY
PAVLOV**

Non-Executive Director
An employee of the majority shareholder

Director of the Strategy Department of PJSC Rosseti

Year of birth: 1982

A Russian citizen

Education

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

Positions held over the past five years

Held senior position in the Department of Finance, Treasury Department of PJSC Rosseti.

Currently, he is a member of the Board of Directors of JSC Severkavkazenergo and JSC Yantarenergo.

Member of the Strategy Committee of IDGC of Centre's Board of Directors.

Recipient of industry awards.

Member of the Board of Directors from 8 June 2017.

**MAXIM
SAUKH**

Non-Executive Director
An employee of the majority shareholder

Head of the Corporate Governance Office of the Department for Corporate Governance of PJSC Rosseti

Year of birth: 1979

A Russian citizen

Education

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

Positions held over the past five years

Held positions in the Department for Corporate Governance and Shareholder Relations at PJSC Rosseti.

Currently, a member of the Board of Directors of JSC Ekaterinburg Power Grid Company, LLC IT Energy Service.

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

Recipient of industry awards.

Member of the Board of Directors from 15 June 2012.

**DMITRY
CHEVKIN**

Non-Executive Director
An employee of the majority shareholder

Deputy Head of HR Department of PJSC Rosseti

Year of birth: 1976

A Russian citizen

Education

In 1998, graduated from Financial Academy under the Government of the Russian Federation with a degree in Banking and Finance.

Positions held over the past five years

Held executive positions at the Department for HR Policy and Organisational Development, PJSC Rosseti. Currently, a member of the Board of Directors of JSC VOLS-VL Administration.

Member of the Personnel and Remuneration Committee of the Board of Directors of IDGC of Centre. Member of the Board of Directors from 30 May 2019.

**ALEXANDER
SHEVCHUK**

Independent Director
Non-Executive Director

Executive Director of Association of Institutional Investors

Year of birth: 1983

A Russian citizen

Education

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

Positions held over the past five years

Held positions at the Investor Rights Protection Association, the Association of Institutional Investors.

Currently, a member of the Board of Directors of PJSC IDGC of Center and Volga Region, OJSC IDGC of Urals, and PJSC Ditskiy Mir.

Member of the Audit Committee, Personnel and Remuneration Committee, and Strategy Committee of the Board of Directors of IDGC of Centre.

Recipient of industry awards.

Member of the Board of Directors from 17 June 2011.

Membership of the Board of Directors of IDGC of Centre before 30 May 2019¹

Alexander Kazakov Chairman of the Board of Directors Non-Executive Director	Chairman of the Board of Directors of JSC Far Eastern Energy Management Company
Dmitry Akopyan Non-Executive Director An employee of the majority shareholder	Deputy General Director - Director of Rostovenergo branch of PJSC IDGC of the South
Alexander Varvarin Independent Director Non-Executive Director	Vice-President - Managing Director of Statutory Regulation and Legal Support at the Russian Union of Industrialists and Entrepreneurs, General Director of NP "Centre for Development of Corporate Relations and Resolution of Economic Disputes"
Oleg Isaev Non-Executive Director	-
Alexey Pavlov Non-Executive Director An employee of the majority shareholder	Director of the Department of Finance of PJSC Rosseti
Alexey Rakov Non-Executive Director An employee of the majority shareholder	Head of the Office for Sales of Services and Electricity Retailing of the Department for Services Sales of PJSC Rosseti
Larisa Romanovskaya Non-Executive Director An employee of the majority shareholder	Deputy Director General on Government Relations of PJSC Rosseti
Maxim Saukh Non-Executive Director An employee of the majority shareholder	Head of the Corporate Governance Office of the Department for Corporate Governance at PJSC Rosseti
Denis Spirin Non-Executive Director A representative of minority shareholders	Director for Corporate Governance at the representative office of Prosperity Capital Management (RF) Ltd
Roman Filkin Non-Executive Director A representative of minority shareholders	Director for Electric Power Industry, Mechanical Engineering at the representative office of Prosperity Capital Management (RF) Ltd
Alexander Shevchuk Independent Director Non-Executive Director	Executive Director of Association of Institutional Investors

Additional information on the members of the Board of Directors

Shareholding in the Company (directly or indirectly)	No shareholding
Transactions with the Company's shares in 2019	None
Shareholding in the Company's subsidiaries and affiliates	No shareholding
Transactions among the members of the Company's Board of Directors in 2019	None
Loans from the Company or S&As to the Board's members	None
Other civil law contracts of the Company or S&As with the Board's members	None
Criminal records and administrative violations in the field of business, finances, taxes and fees and the securities market.	None
Serving on, or membership in, the management bodies of competitor companies	None

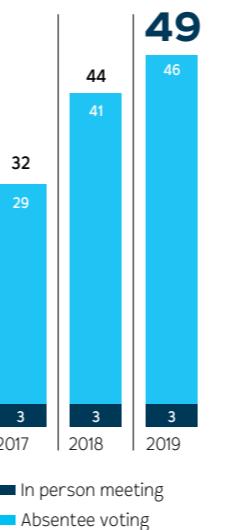
¹ Data are given as of 30 May 2019, in line with the current Russian laws on personal data.

**REPORT ON
THE PERFORMANCE
OF THE BOARD
OF DIRECTORS**

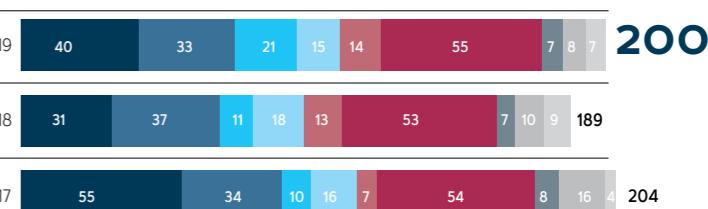
Meetings of the Board of Directors of the Company are held on a regular basis in line with an approved action plan, at least three or four times a month.

The action plan of the Board of Directors is shaped against the proposals of the Board's members, the management, and the external auditor and includes the key issues of the Company's activities (strategy, reliability, business planning, risks, and personnel affairs).

Issues of the corporate governance, aspects of the key areas and the issues of the control over the financial and business activities of IDGC of Centre were given priority at the meetings of the Board of Directors in the reporting year.

Meeting format in 2017-2019


94%
meetings of the Board of Directors
in 2019 had a 100% quorum

Structure of issues discussed in 2017-2019


In 2019, the Board of Directors held 49 meetings, including three meetings held in person. These meetings covered 200 issues, the following ones being the most important:

- reports of the General Director on focus areas of the Company;
- resolutions on the approval of various programmes, plans, and internal documents;
- resolutions on convening and holding the annual General Meeting of Shareholders of the Company and its subsidiaries and affiliates¹.

The Chairman of the Board of Directors convoked unscheduled meetings to make decisions on urgent matters. The format of the meetings was determined by the Chairman of the Board of Directors from the perspective of the importance and significance of their agenda items for the Company. However, certain matters set out in the Company's Articles of Association may be resolved only during in-person meetings.

Issues such as approving a business plan, approving an investment programme, reviewing quarterly reports on their progress, an action plan to improve business performance and improve the financial and economic situation, manage key operational risks, and a number of others, in addition to in-person consideration by the Board of Directors, also undergo preliminary discussion and approval at meetings of relevant committees. This format allows the Board of Directors to consider the matter comprehensively and make a well-considered decision.

When holding meetings in person, the Company offers the members of the Board of Directors the opportunity to participate in the meeting remotely - via video and teleconferencing. Moreover, the written opinion of the absent members of the Board of Directors on the agenda items is taken into consideration.

Members of the Board of Directors took a disciplined and responsible approach to discharging their duties, as evidenced by their active involvement in meetings of the Board of Directors and relevant committees. The quorum of the Board of Directors' meetings was persistently high. In 2019, 46 (94%) out of 49 meetings, had a 100% quorum, three meetings had a 90% quorum.

¹ For a detailed breakdown of the key decisions adopted by the Board of Directors in 2019, please see Appendix No 3.12 to the Annual Report and on the Company's web-site: <https://www.mrsk.ru/en/about/management/controls/directors/decisions/2019/>.

DIRECTORS' ATTENDANCE OF THE BOARD'S AND COMMITTEES' MEETINGS IN 2019¹

Full name of the Board member	Attendance at the Board of Directors' meetings	Attendance at the meetings of Committees under the Board of Directors					
		Strategy Committee	Audit Committee	Reliability Committee	Power Grid Connection Committee	Personnel and Remuneration Committee	
Board's members who served on the Board of Directors throughout 2019							
Alexander Kazakov	49 (3) / 49 (3)	-	-	-	-	-	
Alexander Varvarin	48 (2) / 49 (3)	-	20 (6) / 20 (6)	-	5 (2) / 5 (2)	5 (0) / 5 (0)	
Alexey Pavlov	49 (3) / 49 (3)	19 (4) / 19 (7)	-	-	-	8 (1) / 8 (1)	
Larisa Romanovskaya	49 (3) / 49 (3)	-	-	-	-	5 (0) / 5 (0)	
Maxim Saukh	48 (2) / 49 (3)	-	20 (5) / 20 (6)	-	-	8 (1) / 8 (1)	
Alexander Shevchuk	49 (3) / 49 (3)	19 (5) / 19 (7)	20 (5) / 20 (6)	-	-	13 (1) / 13 (1)	
Board's members who stepped down from the Board of Directors on 30 May 2019							
Dmitry Akopyan	19 (1) / 20 (1)	-	-	-	-	-	
Oleg Isaev	20 (0) / 20 (1)	-	-	-	-	-	
Denis Spirin	20 (0) / 20 (1)	-	-	-	-	-	
Alexey Rakov	20 (1) / 20 (1)	-	-	-	-	8 (1) / 8 (1)	
Roman Filkin	20 (1) / 20 (1)	11 (3) / 11 (5)	-	-	-	8 (1) / 8 (1)	
Board's members who were elected to the Board of Directors on 30 May 2019							
Alexander Golovtsov	29 (2) / 29 (2)	8 (1) / 8 (2)	-	-	7 (2) / 7 (2)	-	
Vitaliy Zarkhin	29 (2) / 29 (2)	8 (2) / 8 (2)	-	-	-	-	
Andrey Logatkin	29 (1) / 29 (2)	-	-	-	-	5 (0) / 5 (0)	
Igor Makovskiy	29 (2) / 29 (2)	-	-	-	-	-	
Dmitry Chevkin	29 (2) / 29 (2)	-	-	-	-	5 (0) / 5 (0)	

GRI 102-28

ASSESSMENT OF THE PERFORMANCE OF THE COMPANY'S BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD OF DIRECTORS

Assessment criteria for the Board of Directors and Committees
→ Performing key functions of the Board of Directors
→ Members and structure of the Board of Directors
→ Workflow management of the Board of Directors
→ Chairman of the Board of Directors
→ Members and structure of the Committee
→ Workflow management of the Committee
→ Exercise of key functions of the Committee
→ Chairman and Secretary of the Committee

For external assessment of the performance of the Board of Directors and committees to be carried out at least once every three years, an independent consultant is invited as recommended by the Corporate Governance Code. The rest of the time, the Board of Directors conducts an annual self-assessment of own performance quality (through questionnaires).

For a second consecutive year, the Board of Directors of IDGC of Centre conducts anonymous self-assessment of own performance and performance of the committees (hereafter referred to as assessment). Assessment is focused on determining the effectiveness of the Board of Directors and the Committees performance, compliance of their activities with the Company's development demands, intensification of the operation of the Board of Directors and identification of the areas to be improved.

The assessment is aligned with the Methods for evaluating the performance of the Board of Directors and committees approved by the Company's Board of Directors on 22 November 2018 and also with the requirements of the Corporate Governance Code of the Bank of Russia.

Assessment covered the performance of the Board of Directors in general, each committee and also the Chairman of the Board of Directors. The questionnaires allowed members of the Board of Directors and Committees to express their opinions and formulate proposals on improving the performance of the Board of Directors and Committees, respectively.

The overall rating for the 2019/2020 corporate year was 4.4 points (out of 5 possible), which corresponds to the rating "effective with comments". The rating for 2018/2019 corporate year was 4.6 points, which is also equivalent to "effective with comments".

Results of the assessment showed that the work of the Board of Directors and Committees is generally well organised and complies with the strategic principles of the Company and key recommendations of the Corporate Governance Code. Moreover, it helped reveal both strengths and the problems in the performance of the Board of Directors and its Committees.

The strengths in the performance of the Board of Directors and its Committees include high attendance of the meetings, proper interaction with executive bodies and business units of the Company, efficient performance of the Audit Committee, Reliability Committee, Grid Connection Committee, and Corporate Secretary of the Company.

The weaknesses in the performance of the Board of Directors and its Committees include the lack of an approved strategy in the Company; non-optimal ratio between

meetings of the Board of Directors, Personnel and Remuneration Committee and Strategy Committee held in person and in absentia (by polling); discussion of strategic (the most important) issues related to the Company's operations at the meetings of the Board of Directors, Personnel and Remuneration Committee and Strategy Committee held in absentia.

The Board of Directors admitted that for numerous criteria of the most items, improvements can be promoted by the direct initiative of the members of the Board of Directors and Committees. The potential for their efficiency depends more on the position of shareholders and controlling persons.

Discussing the results of self-assessment for 2019/2020 corporate year is included into the action plan of the Board of Directors in April 2020. Independent assessment of the performance of the Board of Directors and Committees with the involvement of an external consultant is scheduled for 2021.

¹ Data are presented as X (n) / Y (m), where X – the number of meetings attended by a Board member, Y – the total number of meetings held, n and m – the number of meetings held in person.

CORPORATE SECRETARY

The activities of the Corporate Secretary is regulated by the Articles of Association and the Regulations on the Corporate Secretary.

The main objective of the Corporate Secretary is to provide effective interaction of the Company's shareholders with the Board of Directors and executive management.

The Corporate Secretary of IDGC of Centre ensures the proper functioning of the Board of Directors, its five Committees and acts as a Secretary of the Management Board and General Meeting of Shareholders, thereby improving the efficiency and optimising corporate governance processes in the Company.

From March 2009, Svetlana Lapinskaya was acting as the Corporate Secretary of IDGC of Centre¹.

Additional Information

Shareholding in the Company (directly or indirectly)	No shareholding
Transactions with the Company's shares in 2019	None
Shareholding in the Company's subsidiaries and affiliates	No shareholding
Transactions with the members of the Company's Board of Directors and Management Board in 2019	None
Loans provided by the Company or subsidiaries and affiliates to the Corporate Secretary	None
Other civil law contracts concluded between the Company or subsidiaries and affiliates and the Corporate Secretary	None
Criminal records and administrative violations in the field of business, finances, taxes and fees and the securities market.	None
Serving on, or membership in, the management bodies of competitor companies	None

COMMITTEES OF THE BOARD OF DIRECTORS

The structure of the Board of Directors includes five special-purpose committees for preliminary consideration, study and preparation of recommendations on the most critical issues within the competence of the Board of Directors. These committees allow to study the respective issue in details and increase efficiency of the decisions made by the Board of Directors.

The committees are formed by the Board of Directors and report to it on their activities. The chairmen of the committees submit reports to the Board of Directors on the works performed, content of issues discussed and decisions made.

Reports on the work of each committee in the 2018/2019 corporate year were reviewed and taken by the Board of Directors into consideration in May 2019.

Reports on the performance of the committees in the 2019/2020 corporate year will be submitted to the Board of Directors in May 2020.

The procedure for the formation and activities of the committees is governed by the regulations on each of the committees approved by the Board of Directors of the Company. The work of the committees is aligned with the decisions of the Board of Directors and their action plans approved at the first meeting of the relevant committee after the election and based on the action plan of the Company's Board of Directors.

Born in 1980.

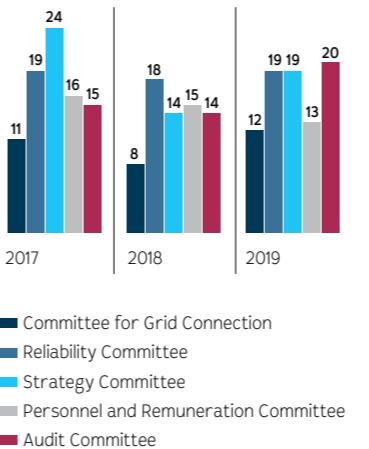
In 2002, graduated from Maimonides State Classical Academy.

From 2005, works at IDGC of Centre. Currently, Head of Corporate Events Office at IDGC of Centre. A member of the National Association of Corporate Secretaries.

Overview of Committees

Committee	Establishment date	Regulations	Data on the members	Resolutions
Audit Committee	April 2008	https://www.mrsk-1.ru/upload/documents/polowenie_audit_21.10.2016%20english.pdf	https://www.mrsk-1.ru/en/about/management/controls/committee/audit/members/2019/	https://www.mrsk-1.ru/en/about/management/controls/committee/audit/decisions/2019/
Personnel and Remuneration Committee	April 2008	https://www.mrsk-1.ru/common/upload/docs/Prilozhenie_9_Polozhenie_KKIV_2014_english.pdf	https://www.mrsk-1.ru/en/about/management/controls/committee/cadre/members/2019/	https://www.mrsk-1.ru/en/about/management/controls/committee/cadre/decisions/2019/
Strategy Committee¹	April 2008	https://www.mrsk-1.ru/upload/files/Regulation_Strategy_Committee_20191008.pdf	https://www.mrsk-1.ru/en/about/management/controls/committee/strategics/members/2019/	https://www.mrsk-1.ru/en/about/management/controls/committee/strategics/decisions/2019/
Reliability Committee	January 2006	https://www.mrsk-1.ru/about/projects/Reliability_Committee_Regulation_2017_english.pdf	https://www.mrsk-1.ru/en/about/management/controls/committee/technological/members/2019/	https://www.mrsk-1.ru/en/about/management/controls/committee/technological/decisions/2019/
Grid Connection Committee	February 2009	https://www.mrsk-1.ru/upload/documents/Regulation_on_the_Grid_Connection_Committee_2020_eng.pdf	https://www.mrsk-1.ru/en/about/management/controls/committee/realty/members/2019/	https://www.mrsk-1.ru/en/about/management/controls/committee/realty/decisions/2019/

Statistics of meetings of committees in 2017-2019, meetings



As at 31 December 2019, the Audit Committee included three members².

Full name / Position	Core position
Alexander Varvarin Chairman of the Committee Independent Director	Vice-President – Managing Director of Statutory Regulation and Legal Support at the Russian Union of Industrialists and Entrepreneurs, General Director of NP "Centre for Development of Corporate Relations and Resolution of Economic Disputes"
Maxim Saukh Non-Executive Director	Head of the Corporate Governance Office of the Department for Corporate Governance at PJSC Rosseti
Alexander Shevchuk Independent Director	Executive Director of Association of Institutional Investors

¹ Personal details are provided with the consent of Svetlana Lapinskaya.

¹ The Company's Board of Directors made decision on renaming the Strategy and Development Committee of the Board of Directors of IDGC of Centre to the Strategy Committee of the Board of Directors of IDGC of Centre (Minutes No. 33/19 dated 7 October 2019).

² For detailed information on the Committee members, please see the Company's website at: <https://www.mrsk-1.ru/en/about/management/controls/committee/audit/members/2019/>.

Two of three current members of the Audit Committee (A. Varvarin and A. Shevchuk), including the Chairman, are Independent Non-Executive Directors. The elected members of the Committee have necessary experience and expertise in the field of preparation, analysis, assessment and audit of accounting (financial) statements that allow the Committee to operate as efficiently as possible.

Despite the fact that the committee of four independent members of the Board of Directors included only two independent non-executive directors (A. Varvarin and A. Shevchuk), including the Chairman, by decision of the Chairman of the Committee two other independent members of the Board of Directors – A. Golovtsov and V. Zarkhin – were invited to all meetings of the Committee held in person.

In 2019, the Committee held 20 meetings, including six meetings held in person. The issues discussed at the meetings were related to the tasks assigned to the Committee¹.

As at 31 December 2019, the Personnel and Remuneration Committee included five members².

Full name / Status	Core position
Larisa Romanovskaya Chairman of the Committee Non-Executive Director	Acting Deputy Director General for personnel management, relations with the government authorities and the mass media, Deputy Director General for relations with the state government bodies of PJSC Rosseti
Alexander Varvarin Independent Director	Vice-President - Managing Director of Statutory Regulation and Legal Support at the Russian Union of Industrialists and Entrepreneurs, General Director of NP "Centre for Development of Corporate Relations and Resolution of Economic Disputes"
Andrey Logatkin Non-Executive Director	Director of the International Cooperation Department of PJSC Rosseti, Executive Director of the Russian National Committee of World Energy Council
Dmitry Chevkin Non-Executive Director	Deputy Head of HR Department of PJSC Rosseti
Alexander Shevchuk Independent Director	Executive Director of Association of Institutional Investors

All members of the Personnel and Remuneration Committee are non-executive directors, two of them are Independent Directors (A. Varvarin and A. Shevchuk).

REPORT OF THE CHAIRMAN OF THE PERSONNEL AND REMUNERATION COMMITTEE

The main objective of the Personnel and Remuneration Committee is to formulate and submit recommendations (conclusions) to the Company's Board of Directors in the following areas:

- amount of remunerations paid out to members of the Company's Board of Directors;
- formulation of the principles and criteria to determine the amount of remuneration for members of the Board of Directors, Management Board and the person acting as a sole executive body of the Company, including a managing company or a manager;
- development of the proposals on determining the key terms of contracts with the members of the Board of Directors, Management Board and a person acting as a sole executive body of the Company;
- determination of the criteria for selecting candidates to the Board of Directors, Management Board and to the position of the sole executive body of the Company, as well preliminary assessment of these candidates;
- regular assessment of the performance of a person acting as the sole executive body (managing company, manager) and members of the Management Board, as well as formulation of proposals to the Board of Directors on their re-appointment.

In 2019, the Personnel and Remuneration Committee worked towards making the composition of the Company's management bodies to be more professional, supervised issues regarding the organisational structure of the Company and its subsidiaries, selection and assessment of persons appointed to certain positions of the Company's Executive Office, continued its efforts on determining the compliance with the independence criteria of members of the Board of Directors. As a result, the Committee recommend to the Board of Directors to appoint A. Varvarin, A. Golovtsov, V. Zarkhin and A. Shevchuk as Independent Directors.

REPORT OF THE CHAIRMAN OF THE STRATEGY COMMITTEE

In October 2019, the Board of Directors made decision on renaming the Strategy and Development Committee to the Strategy Committee and on approving a new version of the Regulations on the Strategy Committee.

As at 31 December 2019, the Strategy Committee included 11 members¹.

Full name / Status	Core position
Yegor Prokhorov Chairman of the Committee	Acting Deputy Director General for Strategy at PJSC Rosseti
Irina Shagina	Director of the Tariff Policy Department at PJSC Rosseti
Alexander Pilyugin	First Deputy General Director – Chief Engineer at IDGC of Centre
Andrey Romankov	–
Dmitry Mikheev	Director of Service Sales Department at PJSC Rosseti
Olga Tikhomirova	Director of the Treasury Department at PJSC Rosseti
Vitaliy Zarkhin Independent Director	–
Alexey Pavlov	Director of the Strategy Department at PJSC Rosseti
Alexey Zharikov	Director for the Corporate Policy and Shareholder Relations at JSC Electrocentronaladka
Alexander Shevchuk Independent Director	Executive Director of Association of Institutional Investors
Alexander Golovtsov Independent Director	–

Just like previous years, the efforts of the Strategy Committee in 2019 were focused on comprehensive analysis and study of key issues regarding financial and investment planning of the Company's operation.

Following the Corporate Governance Code approved by the Bank of Russia, the Committee followed up with the tendency to consider the most significant issues related to the approval of financial statements and planned performance indicators of the Company at the meetings held in person.

In 2019, the Committee held 19 meetings, including seven meetings held in person².

The members of the Personnel and Remuneration Committee has professional experience and knowledge about the activities of the Company necessary for exercising their powers.

In 2019, the Committee held 14 meetings with the discussion of issues in the context of the tasks assigned to the Committee³.

¹ For information on the issues discussed, please see Appendix No. 3.12 to the Annual Report and the Company's website at: <https://www.mrsk-1.ru/about/management/controls/committee/audit/decisions/2019/>.

² For detailed information on the Committee members, please see the Company's website at: <https://www.mrsk-1.ru/en/about/management/controls/committee/cadre/members/2019/>.

³ For information on the issues discussed, please see Appendix No. 3.12 to the Annual Report and the Company's website at: <https://www.mrsk-1.ru/en/about/management/controls/committee/cadre/decisions/2019/>.

¹ For detailed information on the Committee's members, please see the Company's website at: <https://www.mrsk-1.ru/en/about/management/controls/committee/strategics/members/2019/>.

² For the list of the issues discussed by the Committee please see Appendix No. 3.12 to the Annual Report. Resolutions adopted by the Committee are available on the Company's website at: <https://www.mrsk-1.ru/en/about/management/controls/committee/strategics/decisions/2019/>.

Attendance by the Strategy Committee members in 2019¹

Full name of a Committee member	Number of attended meetings of the Committee
Committee members who served on the Committee throughout 2019	
Alexey Pavlov	19 (4) / 19 (7)
Alexander Shevchuk	19 (5) / 19 (7)
Committee members who stepped down from the Committee on 7 October 2019	
Evgeny Olkhovich	11 (5) / 11 (5)
Pavel Grebtsov	11 (0) / 11 (5)
Valery Kataev	11 (4) / 11 (5)
Alexander Inozemtsev	8 (4) / 11 (5)
Dmitry Kapustin	11 (5) / 11 (5)
Anastasia Krupenina	11 (4) / 11 (5)
Andrey Morozov	11 (4) / 11 (5)
Roman Filkin	11 (3) / 11 (5)
Committee members who were elected to the Committee on 7 October 2019	
Yegor Prokhorov	8 (2) / 8 (2)
Alexander Golovtsov	8 (1) / 8 (2)
Vitaliy Zarkhin	8 (2) / 8 (2)
Alexey Zharikov	8 (1) / 8 (2)
Dmitry Mikheev	8 (2) / 8 (2)
Alexander Pilyugin	8 (1) / 8 (2)
Olga Tikhomirova	8 (2) / 8 (2)
Andrey Romankov	2 (1) / 8 (2)
Irina Shagina	8 (2) / 8 (2)

As at 31 December 2019, the Reliability Committee included five members¹.

Full name / Status	Core position
Vasily Rozhkov Chairman of the Committee	Director of the Production Performance Department – Deputy Chief Engineer at PJSC Rosseti
Artyom Alyoshin	Acting Deputy General Director for Economics and Finance at IDGC of Centre
Alexander Pilyugin	First Deputy General Director – Chief Engineer at IDGC of Centre
Mikhail Smaga	Deputy Director of the Centre for Technical Supervision – a branch of PJSC Rosseti
Igor Polovnev	Financial Director of the Association of Institutional Investors

In 2019, the Committee held 19 meetings, including four meetings held in person. The Reliability Committee focused on issues related to the expertise of production programmes, plans for technical retrofitting, reconstruction, new construction and repair of power grid facilities, analysis of their development and execution in terms of ensuring the requirements for reliability of operation and technical condition of the power grids².

Attendance by the Reliability Committee members in 2019³

Full name of a Committee member	Number of attended meetings of the Committee
Committee members who served on the Committee throughout 2019	
Vasily Rozhkov	19 (4) / 19 (4)
Alexander Pilyugin	19 (4) / 19 (4)
Mikhail Smaga	19 (4) / 19 (4)
Igor Polovnev	19 (4) / 19 (4)
Committee members who stepped down from the Committee on 26 July 2019	
Alexander Inozemtsev	7 (2) / 9 (2)
Committee members who were elected to the Committee on 26 July 2019	
Artyom Alyoshin	10 (2) / 10 (2)

REPORT OF THE CHAIRMAN OF THE RELIABILITY COMMITTEE

The main objective of the Reliability Committee is to formulate and submit recommendations (conclusions) to the Company's Board of Directors in the following areas:

- expertise of production programmes, plans for technical retrofitting, reconstruction, new construction and repair of power grid facilities, analysis of their development and execution in terms of ensuring the requirements for reliability of operation and technical condition of the power grids;
- evaluation of the completeness and adequacy of measures taken based on accident investigation results, as well as control over their implementation;
- evaluation of the quality of investigations into the causes of faults (accidents), Company's accident-prevention activities;

- examination of the programmes to prevent and reduce the risk of personal injury to the Company's employees or third parties, as well as control over their implementation;
- control and assessment of the Company's technical services performance in terms of ensuring operational reliability and safety of power grids;
- examination of the Company's internal technical controls, occupational health and safety management system, environmental policy implementation programme, fire and industrial safety system.

REPORT OF THE CHAIRMAN OF THE GRID CONNECTION COMMITTEE

The main objective of the Grid Connection Committee is to formulate and submit recommendations (conclusions) in the following areas:

- development of proposals to improve the legal framework for antimonopoly regulation and ensure non-discriminatory access to grid connection services for consumers;
- development of proposals to improve the Company's internal regulations and standards covering non-discriminatory access to grid connection services for consumers;
- elaboration of the principles and criteria for assessment of the Company's performance related to grid connection of consumers;
- assessment of the Company's performance related to grid connection of consumers, better planning of the power grid development;
- analysis of the Company's current situation and preparation of proposals to the Board of Directors concerning the grid connection of consumers and the long-term development of the power grid;
- development of proposals to improve the Company's internal regulations and standards covering additional (non-tariff) services sales;

- development of proposals on optimising and upgrading the services, expanding the list of non-tariff services and additional services for the consumers in the area of other types of activities through a lens of the "Digital Transformation 2030" Concept;
- elaboration of the principles and criteria for assessment of the Company's performance related to developing and implementing additional services; assessment of the Company's performance related to developing and implementing additional services;
- analysis of the Company's current situation and formulation of proposals to the Board of Directors concerning development and implementation of additional (non-tariff) services, additional digital services for the consumers.

¹ Data are presented as X(n)/Y(m), where X – the number of meetings attended by a Committee member, Y – the total number of meetings held, n and m – the number of meetings held in person.

² For detailed information on the Committee's members, please see the Company's website at: <https://www.mrsk-1.ru/en/about/management/controls/committee/technological/members/2019/>.

³ For the list of the issues discussed by the Committee, please see Appendix No. 3.12 to the Annual Report. Resolutions adopted by the Committee are available on the Company's website at: <https://www.mrsk-1.ru/en/about/management/controls/committee/technological/decisions/2019/>.

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

As at 31 December 2019 the Grid Connection Committee included five members¹

Full name / status	Core position
Alexander Pyatigor Chairman of the Committee	Deputy Director General for Service Sales, PJSC Rosseti
Alexander Golovtsov Independent Director	-
Vasily Kukharenko	Chief Expert of the Office for Grid Connections and Additional Services of the Department for Grid Connection and Infrastructure Development, PJSC Rosseti
Vladislava Rezakova	Deputy General Director for Sales and Development of Services, IDGC of Centre
Igor Polovnev	Financial Director of the Association of Institutional Investors

Over the year, the Committee continued with the analysis of the current situation in terms of power grid connection of consumers and the assessment of the Company's performance related to power grid connection of the consumers.

In 2019, the Committee held 12 meetings, including four meetings held in person².

Attendance by Grid Connection Committee members in 2019³

Full name of a Committee member	Number of attended meetings of the Committee
Committee members who served on the Committee throughout 2019	
Alexander Pyatigor	11 (4) / 12 (4)
Igor Polovnev	12 (3) / 12 (4)
Committee members who stepped down from the Committee on 26 July 2019	
Alexander Varvarin	5 (2) / 5 (2)
Vladimir Davydkin	5 (2) / 5 (2)
Alisa Manaka	5 (2) / 5 (2)
Committee members who were elected to the Committee on 26 July 2019	
Vasily Kukharenko	7 (2) / 7 (2)
Alexander Golovtsov	7 (2) / 7 (2)
Vladislava Rezakova	7 (2) / 7 (2)

¹ For detailed information on the Committee's members, please see the Company's website at: <https://www.mrsk-1.ru/en/about/management/controls/committee/realty/members/2019/>.

² For the list of the issues discussed by the Committee, please see Appendix No. 3.12 to the Annual Report. Resolutions adopted by the Committee are available on the Company's website at: <https://www.mrsk-1.ru/en/about/management/controls/committee/realty/decisions/2019/>.

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

GENERAL DIRECTOR

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



Igor Makovskiy

Date of birth: 24 May 1972, Semipalatinsk.

In 1993, he graduated from Alma-Ata Boarder Command School named after F. Dzerzhinsky; 2000, Kaliningrad State University, with a degree in Law; in 2004, - North-Western Academy of State Service, with a degree in State and Municipal Management. From 1993 to 1999, served in the military forces of the Russian Federation. In 2009, he was elected a member of the Kaliningrad district Council of Deputies from election district No. 1(a part of the Moskovsky district and Pribrezhny settlement).

From 2012 to 2018, he served as General Director of JSC Yantarenergo. In July 2012, he was elected a member of the Board of Directors of JSC Yantarenergo. In September 2018, he was appointed the Chairman of the Board of Directors of JSC Yantarenergo.

Since June 2018, he's been a member of the Board of Directors at JSC Yantarenergosbyt, Chairman of the Board of Directors of JSC Yantarenergoservis, JSC Kaliningrad Generating Company.

In September 2018, he was appointed the General Director, Chairman of the Management Board of IDGC of Centre.

In 2019, he was elected a member of the Board of Directors of IDGC of Centre, IDGC of Center and Volga Region and Chairman of the Board of Directors of JSC YarEGC.

He holds the following awards: the Russian Orthodox Church Order of the Faithful Saint Prince Daniel of Moscow, 3rd class, Order and Medal of Merit for the Kaliningrad Region, Certificate of Merit for the Republic of Dagestan, the Letter of Gratitude from the President of the Russian Federation, the Letter of Gratitude and Certificate of Merit from PJSC Rosseti, Medal "85 Years of Civil Defence" of EMERCOM of Russia, the Letter of Gratitude from the Russian Ministry of Energy, Badge of Honor "For Contribution to the Development of the Power Grid Complex", 2nd class, Commemorative Medal "XXII Olympic Winter Games and XI Paralympic Winter Games of 2014 in Sochi", Commemorative Badge "For Provision of the Reliable Operation of the Olympic Power Facilities", Badge of Honor "For reliable operation of the Olympic Power Facilities", Badge of Honor "For Contribution into Construction of Olympic Facilities of Sochi Power District Grid Complex".

MEMBERSHIP OF THE MANAGEMENT BOARD OF IDGC OF CENTRE AS AT 31 DECEMBER 2019



**IGOR
MAKOVSKIY**

Chairman of the Management Board

General Director IDGC of Centre

Year of birth: 1972

A Russian citizen

Education

In 1993, he graduated from Alma-Ata Boarder Command School named after F. Dzerzhinsky with a degree in Command and Tactical Life Support.

In 2000, the Kaliningrad State University with a degree in Law.

In 2004, North-Western Academy of State Service, retraining under the State Municipal Management programme.

Positions held over the past five years

From June 2019, a member of the Board of Directors, Chairman of the Board of Directors at JSC YarEGC.

From September 2018, Chairman of the Management Board, General Director at IDGC of Centre.

From September 2018, Chairman of the Management Board of IDGC of Center and Volga Region.

From February 2013, a member of the Board of Directors, Chairman of the Board of Directors at JSC Yantarenergoservis, JSC Yantarenergosbyt, JSC Kaliningrad Generating Company.

From August 2012 to September 2018, Chairman of the Management Board, General Director of JSC Yantarenergo; from June 2012, a member of the Board of Directors; from September 2018, Chairman of the Management Board at JSC Yantarenergo.



**ALEXANDER
PILUGIN**

Deputy Chairman of the Management Board

First Deputy General Director – Chief Engineer at IDGC of Centre

Year of birth: 1968

A Russian citizen

Education

In 1992, graduated from Kursk Polytechnic Institute; in 2006, – Kursk State Technical University.

Positions held over the past five years

From June 2019, a member of the Board of Directors of JSC Automobile Transport Unit.

From November 2016, a member of the Management Board of IDGC of Center and Volga Region.

From November 2016 to October 2017, Adviser to the General Director at IDGC of Center and Volga Region.

From November 2014, the First Deputy General Director – Chief Engineer of IDGC of Centre.

From February 2014, a member of the Management Board at IDGC of Centre.



**VITALY
AKULICHEV**

First Deputy General Director – Development Director at IDGC of Centre

Year of birth: 1987

A Russian citizen

Education

In 2010, graduated from Kaliningrad State Technical University.

Positions held over the past five years

From September 2019, the First Deputy General Director – Development Director at IDGC of Centre.

From October 2018 to September 2019, Acting First Deputy General Director – Development Director, Acting First Deputy General Director (part-time), Adviser to the First Deputy General Director of IDGC of Centre.

From June 2019, a member of the Board of Directors at JSC IEC Energoeficiency Technologies and JSC Svet.

From March 2019, a member of the Management Board of IDGC of Centre and IDGC of Center and Volga Region.

From October 2017 to October 2018, Director of Directorate for Strategic Development at JSC Yantarenergo.

From April 2015 to October 2017, Chief Specialist of the Directorate for Strategic Development at JSC Yantarenergo.



**YURY
MARIKIN**

Deputy General Director for Security, IDGC of Centre

Year of birth: 1960

A Russian citizen

Education

In 1983, graduated from Kaliningrad Higher Naval School; in 2011, –Academy of Security and Special Programmes.

Positions held over the past five years

From July 2019, a member of the Management Board at IDGC of Centre.

From March 2019, Deputy General Director for Security at IDGC of Centre.

From March 2017 to February 2019, Adviser to the General Director of PJSC TGC-1.

From February 2014 to February 2017, Deputy General Director for Corporate Security at PJSC TGC-1.

MANAGEMENT BOARD

The Company's Management Board is a collective executive body headed by the Chairman of the Management Board (General Director of the Company).

Performance of the Management Board is regulated by the Federal Law "On Joint-Stock Companies", Articles of Associations of IDGC of Centre, and [Regulations on the Management Board](#). The Management Board reports to the General Meeting of Shareholders and Board of Directors of the Company.

The competencies of the Management Board include issues not related to the competencies of the General Meeting of Shareholders and the Board of Directors; the Management Board is responsible for the practical implementation of goals, development strategy and policy of the Company and supervises the day-to-day operations within its competencies.

The number of the Management Board's members is determined by individual decisions of the Board of Directors. In 2019, the Management Board consisted of seven members.

During 2019, due to HR-related decisions and growing attention of the Company towards the issues of strategic development, digital transformation, and service sales and development, the following changes took place in the Management Board of IDGC of Centre:

- On 5 March 2019, the authorities of Ivan Kleymenov were terminated; Vitaly Akulichev was elected.
- On 31 July 2019, the authorities of Inna Gromova, Konstantin Mikhailik, and Sergey Rumyantsev were terminated; Yury Marakin, Vladislava Rezakova, and Dmitry Sklyarov were elected.

MEMBERSHIP OF THE MANAGEMENT BOARD OF IDGC OF CENTRE AS AT 31 DECEMBER 2019 (CONTINUED)



VЛАДИСЛАВА РЕЗАКОВА

Deputy General Director for Sales and Development of Services, IDGC of Centre

Year of birth: 1973

A Russian citizen

Education

In 1995, graduated from Orenburg State Technical University.

Positions held over the past five years

From November 2019, a member of the Board of Directors of JSC VGES.

From July 2019, a member of the Management Board of IDGC of Centre and IDGC of Center and Volga Region.

From April 2019, Deputy General Director for Sales and Development of Services, IDGC of Centre.

From April 2016 to April 2019, General Director, Acting General Director of JSC Yantarenergosbyt.

From October 2014 to April 2016, Head of the Department for Service Sales and Electricity Metering Systems at JSC Yantarenergo.

ДМИТРИЙ СКЛЯРОВ

Deputy General Director for Investment Activities and Capital Construction at IDGC of Centre

Year of birth: 1979

A Russian citizen

Education

In 2000 and 2002, graduated from Moscow Power Engineering Institute (Technical University); in 2007, – the Academy of National Economy under the Government of the Russian Federation.

Positions held over the past five years

From July 2019, a member of the Management Board at IDGC of Centre.

From September 2019, Deputy General Director for Investment Activities and Capital Construction at IDGC of Centre.

From June 2017 to September 2017, Deputy General Director for Investment Activities at IDGC of Centre.

From November 2014 to June 2017, Deputy General Director for Logistics and Materiel Support at IDGC of Centre.

ЛЮДМИЛА СКЛЯРОВА

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

Year of birth: 1958

A Russian citizen

Education

In 1982, graduated from Correspondence Institute of Soviet Trade; 1989, – Karaganda Cooperative Institute.

Positions held over the past five years

From October 2014, a member of the Management Board at IDGC of Centre.

From April 2013, Chief Accountant – Head of the Department for Financial and Tax Accounting and Reporting, IDGC of Centre

From April to September 2017, Adviser to the General Director of IDGC of Center and Volga Region (part-time).

Information on persons who were members of the Management Board in 2019 and left their positions in 2019¹

Inna Gromova Serving on the Management Board from 29.05.2015 to 31.07.2019	Year of birth: 1967 A Russian citizen Education In 1997 and 2002, graduated from International Institute of Economics and Law. Positions held over the past five years From July 2018 to November 2019, a member of the Management Board of IDGC of Center and Volga Region. From October 2016 to August 2018, a member of the Board of Trustees of JSC Non-State Pension Fund of the Electric Power Industry. From March 2017 to September 2017, Adviser to the General Director of IDGC of Center and Volga Region (part-time). From May 2016 to June 2017, a member of the Supervisory Body of the All-Russian Industry Association of Employers of the Power Sector. From July 2013 to April 2019, Deputy General Director for Human Resources Management and Organisational Design at IDGC of Centre.
Ivan Kleymenov Serving on the Management Board from 15.02.2010 to 05.03.2019	Year of birth: 1960 A Russian citizen Education In 1987 and 1989, graduated from the Volgograd Agricultural University. Positions held over the past five years From March 2017 to November 2018, Deputy General Director – Director of Nizhnovenergo branch at IDGC of Center and Volga Region. From January 2017 to March 2017, Adviser of the Administration Department of IDGC of Center and Volga Region. From July 2008 to January 2017, Deputy General Director – Director of Voronezhenergo branch at IDGC of Centre.
Konstantin Mikhailik Serving on the Management Board from 26.03.2015 to 31.07.2019	Year of birth: 1983 A Russian citizen Education In 2004, graduated from the St Petersburg University of the Ministry of Internal Affairs of the Russian Federation; in 2005, – from the Moscow State Institute of International Relations. Positions held over the past five years From May 2019, Deputy Director General for Operating Activities of PJSC Rosseti. From June 2019, a member of the Board of Directors of JSC Federal Test Centre, JSC Technical Client Centre, JSC VOLS-VL, JSC Research and Development Centre of the Unified Energy System. From July 2018 to March 2019, a member of the Management Board of IDGC of Center and Volga Region. From December 2014 to December 2018, First Deputy General Director of IDGC of Centre.
Sergey Rumyantsev Serving on the Management Board from 10.06.2013 to 31.07.2019	Year of birth: 1956 A Russian citizen Education In 1978, graduated from the Moscow Institute of Management. Positions held over the past five years From September 2017, Head of the Project Office at IDGC of Centre (part-time). From June 2017, a member of the Board of Directors of JSC Energetik Health Resort. From December 2016 to September 2017, Adviser to the General Director at IDGC of Centre. From May 2013 to December 2016, Deputy General Director for Economics and Finance at IDGC of Centre.

Date on of the tenure on the Management Board of the Company

Full name of the Management Board member	Terms of tenure in the Management Board, years
Igor Makovskiy	From 18.09.2018
Vitaly Akulichev	From 05.03.2019
Yury Marakin	From 31.07.2019
Vladislava Rezakova	From 31.07.2019
Alexander Pilyugin	From 17.02.2014/ over 5 years
Dmitry Sklyarov	From 31.07.2019
Lyudmila Sklyarova	From 15.10.2014 / over 5 years
Inna Gromova	From 29.05.2015 to 31.07.2019 / 4 years
Ivan Kleymenov	From 15.02.2010 to 05.03.2019 / 9 years
Konstantin Mikhailik	From 26.03.2015 to 31.07.2019 / 4 years
Sergey Rumyantsev	From 10.06.2013 to 31.07.2019 / 6 years

29%
share of women
in the Management Board

¹ Positions of members of the Management Board are given as at 31 July 2019.

Additional information on members of the Management Board

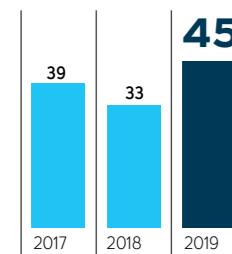
Shareholding in the Company (directly or indirectly)	No shareholding, except for A. Pilyugin (0.00035%)
Transactions with the Company's shares in 2019	None
Shareholding in the Company's subsidiaries and affiliates	No shareholding
Transactions among the members of the Company's Management Board in 2019	None
Loans from the Company or S&A to the Management Board members	None
Other civil law contracts of the Company or S&A with the Management Board members	None
Criminal records and administrative violations in the field of business, finances, taxes and fees and the securities market.	None
Serving on, or membership in, the management bodies of competitor companies	None

For more details on the Company's activities to prevent the conflict of interests, please see "Conflict of Interest Resolution" Section of the Annual Report.

THE CHAIRMAN'S REPORT ON THE MANAGEMENT BOARD PERFORMANCE

The work of the Management Board was aligned with the preliminarily approved quarterly plans of meetings.

Number of meeting in 2017-2019

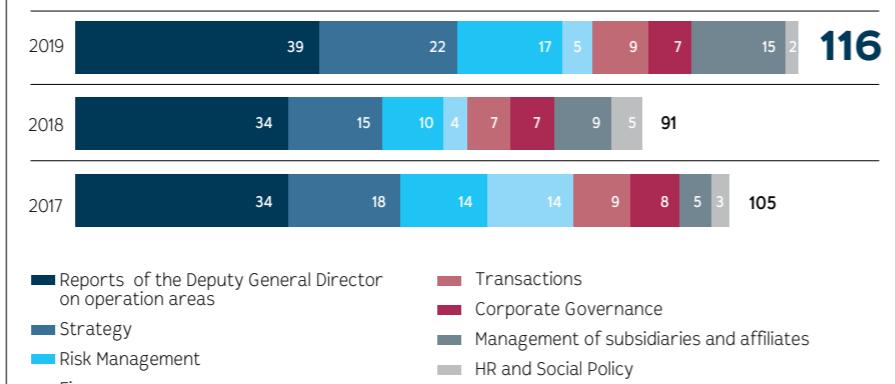


Apart from day-to-day management of the Company, the significant number of issues considered in 2019 was related to recommendations for the Board of Directors on focus areas of the Company's activities and making decisions on matters falling within the competence of supreme governing bodies of the subsidiaries, where the Company exercises powers of the sole shareholder.

Being a key actor in the risk management process, the Management Board devoted much of its time to setting up and improving an efficient Internal Control and Risk Management Systems in the Company.

The Management Board also reviewed Deputy General Directors' quarterly reports on performance in their areas of responsibility and dealt with social issues.

Structure of issues discussed in 2017-2019



Attendance at the Management Board meetings in 2019¹

Full name of the Management Board member	Attendance at the Management Board meetings
Igor Makovskiy	44 (3) / 45 (3)
Vitaly Akulichev (from 06.03.2019)	38 (3) / 38 (3)
Yury Marakin (from 01.08.2019)	16 (2) / 19 (2)
Vladislava Rezakova (from 01.08.2019)	19 (2) / 19 (2)
Alexander Pilyugin	45 (3) / 45 (3)
Dmitry Sklyarov (from 01.08.2019)	19 (2) / 19 (2)
Lyudmila Sklyarova	43 (3) / 45 (3)
Inna Gromova (before 31.07.2019)	20 (1) / 26 (1)
Ivan Kleymenov (before 05.03.2019)	0 (0) / 7 (0)
Konstantin Mikhailik (before 31.07.2019)	13 (1) / 26 (1)
Sergey Rumyantsev (before 31.07.2019)	26 (1) / 26 (1)

¹ Data are presented as X(n)/Y(m), where X – the number of meetings attended by a Committee member, Y – the total number of meetings held, n and m – the number of meetings held in person.

REPORT ON REMUNERATIONS

Internal documents on the remuneration and compensation of IDGC of Centre

Document name	Management body that approved the document and the approval date	Minutes details	Link to the Company's website
The Regulation on Payment of Remuneration and Compensation to Members of the Board of Directors of IDGC of Centre	30.05.2019, annual General Meeting of Shareholders	Minutes No. 01/19 dated 31.05.2019	https://www.mrsk-1.ru/upload/Regulation_payment_remuneration_compensation_to_members_BDirectors_2019.pdf
The Regulation on Payment of Remuneration and Compensation to Members of the Reliability Committee of the Board of Directors	02.09.2009, as amended on 31.12.2015, Board of Directors	Minutes No. 13/09 dated 02.09.2009, No. 28/12 dated 31.12.2015	https://www.mrsk-1.ru/upload/documents/Polozhenie_o_vyplate_voznagrazhdenij_KN_english.pdf
The Regulation on Payment of Remuneration and Compensation to Members of the Grid Connection Committee of the Board of Directors			https://www.mrsk-1.ru/upload/documents/Polozhenie_o_vyplate_voznagrazhdenij_KpTP_english.pdf
The Regulation on Payment of Remuneration and Compensation to Members of the Strategy and Development Committee of the Board of Directors			https://www.mrsk-1.ru/upload/documents/Polozhenie_o_vyplate_voznagrazhdenij_KS_english.pdf
The Regulation on Payment of Remuneration and Compensation to Members of the Audit Committee of the Board of Directors			https://www.mrsk-1.ru/upload/documents/Polozhenie_o_vyplate_voznagrazhdenij_KA_english.pdf
The Regulation on Payment of Remuneration and Compensation to Members of the Personnel and Remuneration Committee of the Board of Directors			https://www.mrsk-1.ru/upload/documents/Polozhenie_o_vyplate_voznagrazhdenij_KKIV_english.pdf
The Regulations on Financial Incentives and Social Benefits for Senior Managers	15.07.2011, as amended on 07.09.2017, Board of Directors	Minutes No. 16/11 dated 18.07.2011, No. 22/17 dated 08.09.2017	-
The Regulations on Financial Incentives for the General Director	15.07.2011, as amended on 18.12.2014, 26.02.2015, 29.05.2017, 07.09.2017, 30.09.2019, Board of Directors	Minutes No. 16/11 dated 18.07.2011, No. 29/14 dated 19.12.2014, No. 03/15 dated 27.02.2015, No. 14/17 dated 31.05.2017, No. 22/17 dated 08.09.2017, No. 31/19 dated 30.09.2019	-

GRI 102-35, 102-36

MONITORING OF THE IMPLEMENTATION OF, AND THE PROGRESS ON, THE REMUNERATION POLICY. PERSONNEL AND REMUNERATION COMMITTEE

The system of remunerations for management body members and other key employees of the Company is established following the general approaches and requirements of Rossetti's group of companies. It is the optimal solution for the current operational situation in the Company. Considering external factors and internal measures for efficiency improvement, the existing remuneration system mechanisms are updated and advanced annually.

When the remuneration system is formed and a specific amount of remuneration to members of IDGC of Centre's management bodies is determined, it is assumed that the level of benefits must be sufficient to attract, motivate and retain persons

with the competence and qualifications necessary for the Company. In this regard, the Board of Directors, with the involvement of the Personnel and Remuneration Committee, controls (supervises) the implementation of the Remuneration Policy in the Company.

The Remunerations Committee addresses the following issues.

The competence issue in accordance with the Regulations on the Personnel and Remuneration Committee	Application practice in IDGC of Centre
Formulation of principles, criteria and recommendations for remuneration and financial incentives: <ul style="list-style-type: none"> • for members of the Company's Board of Directors, Chairman of the Company's Board of Directors; • for members of the Company's Management Board, the General Director of the Company, the managing company or the manager; • for members of the Company's Audit Commission, Chairman of the Company's Audit Commission 	The Committee preliminarily reviews and gives recommendations to the Board of Directors on the approval/introduction of changes to the Methodology for Calculation and Assessment of Key Performance Indicators of the General Director, on awarding bonuses to the General Director (additional, special, for KPIs achieved under the Contract of the Sole Executive Body, for performance of a critical task)
Preparation of recommendations on the approval (amendment) of internal documents regulating the remuneration and financial incentive issues	The Committee preliminarily reviews and gives recommendations to the Board of Directors on the approval/introduction of changes to the Regulations on Payment of Remuneration and Compensation to Members of the Company's Board of Directors, the Regulations on Payment of Remuneration and Compensation to Members of the Company's Audit Commission, the Regulations on Financial Incentives for the General Director of the Company, the Regulations on Financial Incentives and Social Benefits for Senior Managers of the Company
Development of proposals for defining the material terms of contracts (including the term of office and the amount of remuneration and compensation paid) concluded with members of the Company's Board of Directors, members of the Management Board, the Company's General Director, the managing company or the manager, as well as the introduction of changes into these contracts	The Company's Board of Directors, with regard to Article 21 of the Company's Articles of Associations, decided to approve the person authorised to define the terms of the employment contract, including the term of office for the General Director and members of the Company's Management Board
Regular assessment of the performance of the Company's General Director, the managing company (the manager), members of the Company's Management Board and preparation of relevant recommendations to the Company's Board of Directors	By the end of the employment contract term, the Committee pre-reviews the performance results and provides recommendations regarding the General Director to the Board of Directors
Review of the performance of the employees holding positions, candidates for which are agreed upon by the Company's Board of Directors, and preparation of relevant recommendations to the Company's General Director	At the end of the employment contracts term, the Committee pre-reviews the performance results of the Company's Deputy General Directors by certain areas of operations and gives recommendations to the General Director whether to extend the employment contract or not

An independent assessment of the Company's remuneration system (its individual components) was not performed.

The report on the performance of the Personnel and Remuneration Committee, including the number of meetings held and the issues discussed, is given on page 114 of the Annual Report.

SCOPE OF APPLICATION OF THE REMUNERATION POLICY

The Remuneration Policy of IDGC of Centre reviewed in the Annual Report applies to members of the Board of Directors, members of the Management Board and other key employees classified as senior managers in line with the internal documents of the Company. This Policy does not apply to persons controlled by the Company and other organisations.

This section also contains information on the remuneration to members of the Committees of IDGC of Centre's Board of Directors, the Corporate Secretary, and the Audit Commission.

In the reporting year, changes related to the amount of the annual base remuneration and payment frequency were introduced into the Regulations on Payment of Remuneration and Compensation to Members of the Board of Directors of IDGC of Centre.

REMUNERATION TO MEMBERS OF THE BOARD OF DIRECTORS

In May 2019, the General Meeting of Shareholders approved a new version of the Regulation on Payment of Remuneration and Compensation to Members of the Board of Directors of IDGC of Centre.

Considering the changes, IDGC of Centre started to pay out quarterly bonuses to the Board members, given the number of meetings they attended and other positions they hold on the Board Committees. Before 30 May 2019, the Company paid out a fixed annual remuneration linked to the Company's financial performance.

Remuneration paid out for attendance of the Board of Directors' meetings from 30 May 2019

Criteria and calculation
Calculation formula: $S (1) = R_{base} / 4 \times 100 / 130 (n / m)$, where: <ul style="list-style-type: none"> • R_{base} – the amount of the base annual remuneration by reference to the Company's revenue under RAS calculated for the last completed reporting year before the election of the Board of Directors; • n – the number of meetings of the Board of Directors attended by a Board member in the reporting quarter; • m – the total number of meetings of the Board of Directors in the reporting quarter.
R_{base} depends on the revenue under RAS calculated for the last completed reporting year before the election of the Board of Directors: <ul style="list-style-type: none"> • over RUB 200 bn = RUB 3,000,000; • over RUB 70 bn = RUB 2,700,000; • over RUB 30 bn = RUB 2,200,000; • over RUB 10 bn = RUB 1,600,000; • over RUB 1 bn = RUB 1,000,000; • over RUB 600 mn = RUB 800,000; • under RUB 600 mn = RUB 600,000
Bonuses: <ul style="list-style-type: none"> • +30% – for the Chairman of the Board of Directors; • +20% – for a Chairman of a Committee at the Board of Directors; • +10% – for membership in a Committee of the Board of Directors
Restriction: The total amount of the quarterly remuneration with bonuses shall not exceed 0.25 of R_{base}

There are no additional payments or compensation in case of early termination of the powers of the Board's members. Non-monetary incentives were not provided to members of the Board of Directors¹.

The expenses of the Board's members related to participation in meetings of the Board of Directors are subject to compensation according to the rules of reimbursement of travel expenses established by the Company and applicable at the time of the meeting.

REMUNERATION PAID OUT TO MEMBERS OF THE BOARD OF DIRECTORS

Total remuneration paid out to the members of the Board of Directors in 2017–2019, RUB thousand (personal income tax included)

Type of remuneration	2017	2018	2019
Remuneration for service on a management body	19,096	7,153	15,583
Salaries of members of the Board of Directors employed by the Company	-	-	-
Bonuses	-	-	-
Commission	-	-	-
Other types of remuneration	-	-	-
Reimbursement of expenses related to service on the Board of Directors	-	-	-
Total	19,096	7,153	15,583

The remuneration for the Board of Directors' member, who is the Chairman of the Management Board and holds the position of the Company's General Director, is included in the table "Remuneration paid to members of the Management Board".

¹ Including the remuneration in the form of shares (or based on shares), options (option contracts) for the purchase of shares, employment benefits or non-monetary benefits (provision of housing or reimbursement of housing expenses, insurance reimbursement, pension deductions, provision of a company car or compensation of expenses of the car use for work-related purposes, the provision of goods or services for free or at a reduced price, etc.)

Personal remuneration paid out to members of the Board of Directors of IDGC of Centre in 2019, RUB (personal income tax included)¹

S. No.	Full name of the Board member	Amount of remuneration paid
1.	Dmitry Akopyan	676,923
2.	Alexander Varvarin	1,766,716
3.	Alexander Golovtsov	571,154
4.	Vitaliy Zarkhin	519,231
5.	Oleg Isaev	476,923
6.	Alexander Kazakov	1,782,692
7.	Andrey Logatkin	571,154
8.	Alexey Pavlov	1,525,740
9.	Alexey Rakov	830,769
10.	Larisa Romanovskaya	1,475,148
11.	Maxim Saukh	1,577,663
12.	Denis Spirin	692,308
13.	Roman Filkin	830,769
14.	Dmitry Chevkin	571,154
15.	Alexander Shevchuk	1,714,793

Remuneration for I. Makovskiy was not be accrued and paid out since the Board's member is the General Director of the Company.

REMUNERATION TO MEMBERS OF COMMITTEES OF THE BOARD OF DIRECTORS

Remuneration and compensation to members of the committees under the Board of Directors of IDGC of Centre are paid out in accordance with the relevant regulations approved by the Company's Board of Directors.

In line with the approved Policy in place at IDGC of Centre, remuneration was paid in 2019 to members of the Committees for participation in meetings of the committees. The amount of remuneration depends on the form of the meeting:

- two minimum monthly wages of a skill category 1 worker (hereinafter the "minimum monthly wage") for participation in meetings held in person;
- one minimum monthly wage for participation in meetings held by absentee voting.

Remuneration payable to the Chairman of the is 50% higher.

Remuneration to members of the Board Committees who are also members of the Company's Board of Directors is paid in the form and amount stipulated

Remuneration paid out to members of the Board Committees in 2017–2019, RUB thousand (personal income tax included)

Committee	Amount of remuneration		
	2017	2018	2019
Reliability Committee	771	706	848
Grid Connection Committee	361	317	517
Strategy Committee	1,619	954	1,368
Audit Committee	No remuneration was paid because the Committee consists of the members of the Board of Directors only		
Personnel and Remuneration Committee	No remuneration was paid because the Committee consists of the members of the Board of Directors only		

¹ The information is disclosed with the written consent of members of the Board of Directors.

REMUNERATION TO THE GENERAL DIRECTOR

Remuneration for the General Director of IDGC of Centre is determined by the employment contract and the Regulations on Financial Incentives for the General Director of IDGC of Centre. The official salary, bonuses for achieved key performance indicators are paid to the General Director.

Bonuses are paid out to the General Director based on the KPI achievement report approved by the Board of Directors in the following cases:

- based on the results of quarterly and yearly KPIs of the Company;
- based on achieving the strategic priorities determined by the Company's Board of Directors for the year.

In the reporting year, the General Director received the remuneration for the achievement of KPIs. These payments were included in the remuneration amount paid out to members of the Company's Management Board.

REMUNERATION OF MEMBERS OF THE AUDIT COMMISSION

Remuneration paid to members of the Audit Commission is based on the Regulations on Payment of Remuneration and Compensation to Members of the Audit Commission of IDGC of Centre. The remuneration is based on the amount of the Company's revenue and takes into account the participation of a member of the Audit Commission in meetings.

Remuneration paid out to members of the Audit Commission in 2017–2019, RUB thousand (personal income tax included)



REMUNERATION TO MEMBERS OF THE MANAGEMENT BOARD

Members of IDGC of Centre's Management Board are the Company's employees, so the remuneration is paid out under the terms of their employment contracts. The Management Board's members receive a monthly remuneration of RUB 15,800 for their service on the Management Board.

By resolution of the Company's Board of Directors, members of the Management Board are classified as senior managers. In line with the Regulations on Financial Incentives and Social Benefits for Senior Managers of IDGC of Centre approved by the Company's Board of Directors, senior managers receive bonuses based on KPIs achieved in the reporting period (on a quarterly and yearly basis)¹.

In 2019, the General Director and senior managers that are members of the Management Board received remuneration based on the performance in 2018.

Total remuneration paid out to members of the Management Board in 2017–2019, RUB thousand (personal income tax included)

Type of remuneration	Amount of remuneration		
	2017	2018	2019
Remuneration for service on a management body	926	919	591
Salary	50,842	79,725	54,101
Bonuses	50,066	105,668	33,793
Commission	–	–	–
Other types of remuneration	–	–	–
Reimbursement of expenses related to service on the Management Board	–	–	–
Total	101,834	186,312	88,485

The total remuneration of the Management Board's members includes the remuneration of the General Director, who chairs the Management Board.

REMUNERATION OF THE CORPORATE SECRETARY

The Company's Board of Directors determines the amount and procedure for payment of remuneration and the bonus scheme for the Corporate Secretary, considering the recommendations of the Personnel and Remuneration Committee of the Board of Directors. The Company's General Director signs an employment contract with the Corporate Secretary on the terms and conditions approved by the Company's Board of Directors.

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

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

Remuneration paid to the Corporate Secretary in 2019², RUB thousand (personal income tax included)

Type of remuneration	Amount of remuneration, RUB thousand (personal income tax included)
Corporate Secretary	475,429
Secretary of the Committees of the Board of Directors	435,980
Total	911,409

¹ For the list of KPIs of IDGC of Centre for 2019 and their targets, please see page 19 of the Annual Report.

² The information is provided with the consent of the Corporate Secretary, Svetlana Lapinskaya.

AUDIT COMMISSION

The Audit Commission is responsible for the control of financial and economic activities of the Company and is governed by the Articles of Association and the [Regulations on the Audit Commission of IDGC of Centre](#). The Audit Commission is annually elected by the General Meeting of Shareholders. The objectives of the Audit Commission include:

- control over the Company's financial and business operations;
- the independent assessment of the reliability of data in the Company's Annual Report and annual accounting statements.

MEMBERS OF THE AUDIT COMMISSION OF IDGC OF CENTRE ELECTED ON 30 MAY 2019¹

Sergey Kiryukhin Chairman of the Audit Commission	Chief Advisor of PJSC Rosseti Year of birth: 1979 A Russian citizen First elected on: 30 May 2019
Elena Kabizskina	Chief Expert of Supervision Office, Internal Control and Risk Management Department, PJSC Rosseti Year of birth: 1964 A Russian citizen First elected on: 31 May 2018
Svetlana Kim	Head of the Supervision Office, Internal Control and Risk Management Department, PJSC Rosseti Year of birth: 1981 A Russian citizen First elected on: 25 June 2015
Artem Kirillov	Deputy Head of Supervision Office, Internal Control and Risk Management Department, PJSC Rosseti Year of birth: 1984 A Russian citizen First elected on: 30 May 2019
Marina Lelekova	Director of the Internal Control and Risk Management Department, PJSC Rosseti Year of birth: 1961 A Russian citizen First elected on: 24 June 2006
Members of the Audit Commission do not own shares of IDGC of Centre and its subsidiaries. There were no transactions on acquisition/disposal of shares in 2019	

In 2019, the Audit Commission held five meetings to review matters of approval of the Audit Commission's action plan, the election of the Commission's chairman and secretary, and matters directly related to audits².

In the reporting year, the Audit Commission held one scheduled audit of financial and business operations of IDGC of Centre for 2018.

¹ Data on the members of the Audit Commission is provided as at 31 December 2019.

² The resolutions of the Company's Audit Commission are available on the Company's website at: <https://www.mrsk-1.ru/en/about/management/supervisors/decisions-decisions-inspection/2019/>.

INTERNAL CONTROL SYSTEM (ICS)

OBJECTIVES OF INTERNAL CONTROL

The Internal Control System is a component of the Company's common management system aiming to provide reasonable assurance that the goals in the following areas will be achieved:

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

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

INTERNAL CONTROL SYSTEM MODEL

The Company's ICS operates in accordance with [Three Lines of the Defence Model](#). With this Model, the Company can exert internal control at three levels:

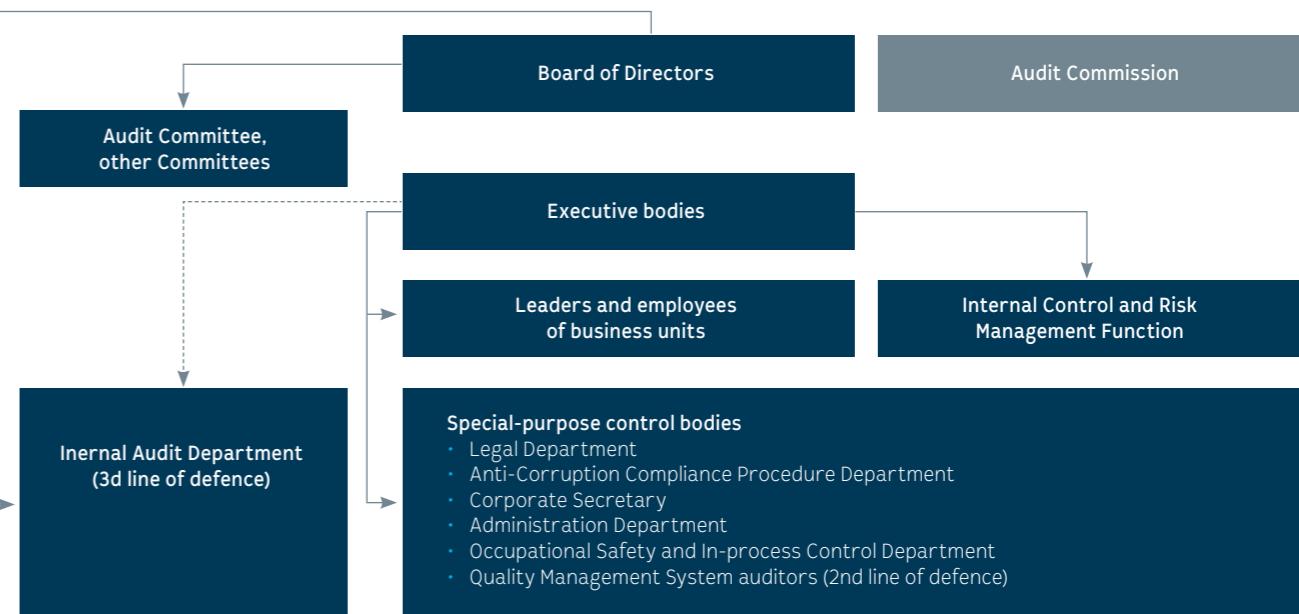
- management bodies (sole and collective executive bodies), the Company's units and departments performing control procedures as part of their functionality and professional duties – the first line of defence;
- the Company's control departments – the second line of defence;
- internal audit departments – the third line of defence.

The Company established the Internal Control and Risk Management Function, which has the following responsibilities as outlined by the Internal Control Policy and the [Regulations thereon](#):

- development and implementation of the basic and methodological documents related to building and improving the ICS;
- assistance to the management in creating the ICS for business processes, development of recommendations for the description and implementation of control procedures into processes (activities) and assignment of responsibility for officials;
- preparation of information on the ICS state for stakeholders;
- interaction with the state regulatory authorities on the internal control issues.

The functions of ICS participants are set out by the Internal Control Policy of the Company, [Regulations on business units](#), job instructions¹.

INTERNAL CONTROL SYSTEM PARTICIPANTS



¹ For more details on the functions of ICS participants, please see Appendix No. 3.6 to the Annual Report.

REGULATORY CONTROL

In order to implement and maintain the effective ICS that complies with the recognised practices and performance standards in the field of internal control, as well as the requirements of regulators, and contributing to the achievement of the Company's goals, the Board of Directors of IDGC of Centre approved a new version of the Internal Control Policy of IDGC of Centre.

The Internal Control Policy defines the objectives, principles and components of the Company's ICS, main functions and responsibilities of ICS participants, and ICS performance assessment procedure.

The Company has in place the Procedure to fulfil requirements of the Internal Control Policy, defining the aspects of applying the rules under the Internal Control Policy.

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

ASSESSMENT OF THE EFFICIENCY OF THE ICS

In order to guarantee that the ICS is effective and in line with changing requirements and conditions, the Company's internal auditor assesses the ICS efficiency for its compliance with the target status and the maturity level.

In the report of the internal auditor on assessing the ICS efficiency in 2019, the ICS maturity level scored 5 points out of 6 that corresponds to the optimal level on the maturity assessment scale. The report was reviewed at the meeting of the Board of Directors with a preliminary discussion thereof by the Audit Committee of the Board of Directors. In 2018, the ICS maturity level also scored 5 points out of 6.

The external independent assessment of the ICS as at 31 March 2019 was carried out by the Consortium comprising LLC Ernst & Young (Assessment and Consulting Services) and LLC RSM RUS. The ICS was recognised by the expert as generally efficient.

The results of external independent assessment were reviewed by the Company's Board of Directors with preliminary consideration by the Audit Committee of the Board of Directors.

In order to further develop the ICS, given the results of the external independent assessment and recommendations of the Company's internal auditor based on the results of ICS efficiency assessment, the Company's Board of Directors developed and approved an Action Plan to maintain the efficiency and facilitate the development of IDGC of Centre's Internal Control System. Those measures are scheduled for the 2nd half of 2019 – 2022.

MEASURES TO IMPROVE THE INTERNAL CONTROL SYSTEM

In the reporting year the Company takes the following key measures to improve the ICS.

- In order to implement the antimonopoly compliance system, the Company approved the Antimonopoly Policy.
- The design and operating efficiency of control procedures for the following business processes (BP) / business services (BS) were audited:
 - BP 1 Corporate Governance;
 - BP 8 Additional Service Sales;

- BP 11 Prospective and Technical Development Management¹;
- BP 12 Information Resources and Technologies Management;
- BP 15 Management System Control;
- BP 21 Energy Saving and Energy Efficiency Management;
- BS 1 Protocol Event Management;
- BS 6 Administrative Support.

Based on the audit results, some inconsistencies and observations were revealed and improvements regarding the risks and controls were suggested.

- The heads of business units conducted self-assessment of the efficiency of control procedures and the internal control system for the overseen business processes of the Company.

The key ICS development measures scheduled for 2020:

- ensuring commitment to the mission and values, enhancing corporate culture and focusing on results;
- maintaining personnel qualifications and developing competencies;
- integrating the quality management system, the ICS and the risk management system into the common management system;
- continuing to bring the risk assessment component of the ICS in line with the requirements of the updated risk management system;
- integrating the existing anti-corruption compliance system into the common ICS and risk management system;
- continuing the implementation of the antimonopoly compliance system and its integration with ICS and risk management system;
- further automation of control procedures in line with the Digital Transformation Concept;
- optimising and automating the formation of grid reports from the Company's accounting systems, automating the exchange of reported data between the Company and PJSC Rosseti.

INTERNAL AUDIT

OBJECTIVES OF INTERNAL AUDIT

The purpose of internal audit is to assist the Company's Board of Directors and executive bodies in improving the Company's management and its financial and business activities, including through systemic and consistent analysis and assessment of risk management, internal controls and corporate governance as tools for providing reasonable assurance that the goals set for the Company will be achieved.

The goals and objectives, basic organisational principles, functions and powers of the Internal Audit Department are set out in the Internal Audit Policy of IDGC of Centre.

ACCOUNTABILITY

The unit responsible for implementing the internal audit function in the Company is the Internal Audit Department. As at 31 December 2019, the internal audit function comprised eight employees.

The internal audit is functionally accountable to the Company's Board of Directors, which means that the Board of Directors monitors and organises the activities of the Internal Audit Unit, including approval of the Internal Audit Action Plan, the Report on the performance of that plan and the budget of the Internal Audit Unit; preliminary approval of the Sole Executive Body's decision on the appointment, dismissal (not at his/her initiative) of the Head of the Internal Audit Unit, the imposition of disciplinary sanctions against him/her; approval of the terms of the employment contract and remuneration of the Head of the Internal Audit Unit, review of the results of the internal audit function quality assessment.

REGULATORY CONTROL

The Company approved the following documents regulating the internal audit function:

- The Internal Audit Policy of the Company (a new version) and the Code of Ethics of internal auditors approved by the Board of Directors;
- The Regulation on the Internal Audit Department confirmed by the Board of Directors of IDGC of Centre and approved by the Order of IDGC of Centre;
- The Quality Assurance and Improvement Programme for the internal audit of IDGC of Centre approved by the Board of Directors;
- In-house internal auditing standards and practical application standards developed in compliance with International Professional Standards for Internal Audit.

Feedback from the Audit Committee is received by the Head of the Internal Audit Unit in various forms in the course of interaction with the Audit Committee, including the analysis of decisions/recommendations of the Audit Committee on issues related to the internal audit competence, as well as through a questionnaire survey of the members of the Audit Committee.

The Audit Committee of the Company's Board of Directors evaluated the performance of the internal audit units in 2019 as "relevant" (1.1 points¹), according to the Quality Assurance and Improvement Programme for the Company's internal audit approved by the Board of Directors.

INDEPENDENT ASSESSMENT OF THE INTERNAL AUDIT FUNCTION

In 2019, JSC KPMG conducted an external independent assessment of the Company's internal audit function. Based on the assessment results, a report was obtained from JSC KPMG stating that the Company's internal audit operations generally comply with the requirements of the International Professional Standards of Internal Audit, the Code of Ethics, and the Internal Audit Policy. JSC KPMG also issued recommendations on improving the internal audit function.

In accordance with the areas for improvement highlighted by the Audit Committee members in the questionnaires and recommendations issued by the external independent expert, an Action Plan for the development and improvement of the Company's internal audit function for 2020 - 2024 was prepared.

¹ From 9 July 2019 - BP 11 Management of technical development and innovation.

¹ The ratio of weighted average score on the questionnaires of the Audit Committee members who took a vote to the number of Committee members who actually voted.

INFORMATION DISCLOSURE POLICY

Information disclosure is one of the key components of the Company's Corporate Governance and is critical for Company's interaction with shareholders, investors, regulatory bodies, and other stakeholders to build long-standing relationships with these parties and trust on their part and to enhance the Company's investment appeal.

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

In addition to the legal requirements, the Bank of Russia Corporate Governance Code and the Moscow Exchange Listing Rules, the Company sticks to the Regulation on the Information Policy of IDGC of Centre¹ approved in 2018 by the Company's Board of Directors.

The Company's Information Policy is designed to ensure effective information interaction between the Company, shareholders, investors and other stakeholders and it sets forth the key principles of information disclosure: completeness, reliability, accessibility, and timeliness of its disclosure.

The Regulation defines the communication procedure between members of management bodies, officials and employees of the Company with shareholders and investors, as well as media representatives, and also contains a list of additionally disclosed information and the procedure for its disclosure. The implementation of the Information Policy is monitored by the Board of Directors of the Company.

To ensure free access by stakeholders to the disclosed information, disclosures are made via several information distribution channels.

The main disclosure channel is the official website of IDGC of Centre at: <https://www.mrsk-1.ru/en/>. To facilitate access to information by foreign shareholders and investors, as well as to expand the number of recipients of information, there is the English version of the Company's corporate website.

In the Information Disclosure section and on the page of the Corporate Information Disclosure Centre, the Company publishes information subject to disclosure under the requirements of the Russian legislation (on material facts, annual and quarterly reports, financial statements, etc.). Disclosures are also on such international news websites as Bloomberg, Euroland, Thomson Reuters, other media and the corporate press.

In Shareholders and Investors section, there is a regularly updated investor calendar, monthly and daily reviews of the securities market, dividend history, key performance indicators of the Company, answers to the most frequently asked questions by shareholders and investors, presentations and other IR materials, as well as other information useful to shareholders and investors.

The Company also provides other additional information about its activities. In particular, the accounting (financial) statements prepared under RAS and the consolidated financial statements of the Company prepared under IFRS are posted on the corporate website on a quarterly basis. Being a socially responsible company, IDGC of Centre maintains a high profile on publishing the sustainability results.

In addition to the above, the Company widely uses such ways of communication as:

- publications in the media, thematic booklets, brochures, and leaflets;
- granting, upon request of shareholders, an access to information (documents), as well as making copies of documents available as provided by applicable law;
- participating in investment conferences and specialised seminars;
- conducting targeted IR-events (meetings, webcasts, teleconferences, open days, tours of production facilities, etc.);
- accepting requests on the corporate website in the Feedback section, by e-mail, by phone of the Contact Centre of the Company 8 (800) 50-50-115, in writing at: 15 Malaya Ordynka Str., Moscow, 119017, Russia, as well as contacts of the Company's branches within the footprint;
- advisory services of IR department specialists.

PROTECTION OF INSIDER INFORMATION

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

Insider information protection activities in the reporting year comprised the following measures:

- the new insiders were consulted (with the respective explanation given) how to use insider information at the Company;
- the following activities were undertaken:
 - ongoing control over the compliance with the law on insider information and its monitoring;
 - monitoring of amendments made to the law on insider information control;
- amendments were made to the lists of insiders: in the reporting period, eight insider individuals were included in the list, 18 insiders were excluded. As at 31 December 2019, the Company's insiders list comprised 200 individuals and 19 legal entities;
- the annual report was prepared and submitted to the Board of Directors of IDGC of Centre, following the measures taken to comply with the insider information control laws.

The Company has in place the Regulations on Insider Information¹, providing for internal procedures that facilitate the compliance with the law and internal regulations.

EXTERNAL AUDITOR

The independent assessment of the reliability of annual accounting (financial) statements under RAS and IFRS of IDGC of Centre is conducted by an external auditor. A candidate nominated as the external auditor to audit the financial statements is approved by the annual General Meeting of Shareholders in line with the recommendations of the Company's Board of Directors.

The candidate for the external auditor is selected by open competition in order to maintain independence and objectivity. The competition is arranged by PJSC Rosseti via an electronic trading platform at www.b2b-energo.ru.

The annual General Meeting of Shareholders held on 30 May 2019 approved LLC Ernst & Young as the auditor of the Company for 2019.

The Board of Directors of IDGC of Centre determined the auditor's remuneration for the audit of financial statements in 2019 in the amount of RUB 5.6 mn, including VAT.

DETAILS OF THE AUDITOR

Full company name: Limited Liability Company Ernst & Young (LLC Ernst & Young).

Location: 77 Sadovnicheskaya nab., bldg. 1, Moscow, 115035, Russia.

OGRN: 1027739707203. TIN: 7709383532.

Phone: +7 (495) 755-9700/755-9701.

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

¹ The Regulation on the Information Policy is available on the Company's official website at: <https://www.mrsk-1.ru/en/information/documents/internal/>.

¹ The Regulation on the Insider Information is available on the Company's official website at: https://www.mrsk-1.ru/upload/Regulations_on_the_insider_information_2019_english.pdf (approved by the Board of Directors, Minutes No. 20/19 dated 29 May 2019).

GRI 102-11, 102-15

RISK MANAGEMENT

RISK MANAGEMENT SYSTEM

The Company has a robust risk management system in place (the RMS). The purpose of the RMS is to ensure sustainable continuous operation and development of the Company through timely identification, assessment and effective management of risks that threaten to hamper the effective running of the business or damage the reputation of the Company, health of its employees, the environment, or property interests of its shareholders and investors.

The Company has in place the Risk Management Policy approved by the Board of Directors¹. This Policy defines the objectives, principles and components of the Company's RMS, main functions and responsibilities of RMS participants, and the RMS performance assessment procedure². Besides, the Company has in place the Methodology for assessing the efficiency of the Internal Control System and Risk Management System and a number of relevant guidelines.

General coordination of risk management processes and interaction of all RMS participants in IDGC of Centre is handled by the Internal Control and Risk Management Function.

ASSESSMENT OF THE RMS EFFICIENCY GRI 102-30

In order to guarantee that the RMS is efficient and complies with changing requirements and conditions, the Company's internal auditor assesses the RMS efficiency. According to the report of the internal auditor on assessing the RMS efficiency in 2019, the RMS maturity level scored 4.9 points out of 6 (4.9 points year-on-year) that corresponds to the optimal level on the maturity assessment scale. The report was reviewed at the meeting of the Board of Directors with a preliminary discussion thereof by the Strategy Committee of the Board of Directors.

In the reporting year, an external independent assessment of the RMS was conducted, and as at 31 March 2019 the RMS was recognised by the independent expert as "moderately effective". The results of the external independent assessment of the Risk Management System were reviewed by the Board of Directors with a preliminary discussion of this matter by the Strategy Committee of the Board of Directors.

Further to the decision of the Company's Board of Directors, the plans on the improvement of the RMS have been approved and are currently underway. In the reporting year, the Company took the following key measures to improve the RMS:

- guidelines for determining risk appetite and assessing functional risks were approved and brought into use;
- activities were initiated to determine risk appetite on power transmission for 2019 (in quantitative terms);
- the Company's operational risk registers were updated.

The following RMS development measures are scheduled for 2020:

- strengthening the importance of risk management; developing a culture of risk awareness;
- organising systematic training on risk management issues for the key decision-makers and other employees participating in the Risk Management System;
- realising the information support practices for risk management processes;
- adopting a risk appetite determination methodology consistent with the development strategy, defining the key risk indicators;
- updating the Company's risk register in line with the development strategy of the Company and business objectives working towards this strategy;
- adapting a new methodology for risk identification, assessment, certification and management;
- adapting the regulatory documents on the self-assessment of the risk management system efficiency in the Company.

KEY OPERATIONAL RISKS

The Company identified 16 key operational risks in accordance with the standard Key Operational Risk Register of Rossetti's group of companies. The Key Operational Risk Register (a new version) was approved by the Company's order with preliminary consideration by the Board of Directors. This Register includes risks of the Company's operational management level significantly affecting the performance of target indicators of the business plan.

The Company identified and approved the following operational risk registers: the operational risk register for core business processes (28 risks) and the operational risk register for other business processes (60 risks).

RISK ASSESSMENT

The Company approved the Operational Risk Assessment Methodology based on the principle of operational risk grouping by types of consequences. Assessment parameter for each risk is specified relative to the consequence type. With the assessment results, the risks can be ranged depending on the deviation of selected parameters from the target value.

Changes of key operational risks of IDGC of Centre in 2017–2019

Key operational risk (KOR) index	Risk	Risk significance			Risk occurrence at the year-end 2019
		2017	2018	2019	
KOR-001	Risk of deviation of the actual volume of electricity transmission services from the target value given in the business plan, mn kWh				RUB 1,908 mn The scope of electricity transmission services was below the target by 973 mn kWh, or 2.06%
KOR-002	Risk of deviation of the average tariff for electricity transmission services from the target value from the business plan, RUB / thous. kWh				Not occurred
KOR-003	Risk of deviation of the grid connection scope from the target value established in the business plan, MW				The scope of non-performed grid connections totalled 17 MW, while the "Revenue from grid connection services" indicator was achieved
KOR-004	Risk of deviation of the loss compensation costs, RUB mn				Not occurred
KOR-005	Risk of deviation of uncontrollable costs from the target value established in the business plan, net of loss compensation costs, RUB mn				Not occurred
KOR-006	Risk of higher OPEX vs the target value specified for the planning period, RUB mn				Not occurred
KOR-007	Risk of deviation of the overdue accounts receivable from the target value specified in the business plan, RUB mn				Overdue accounts receivable went above the target by RUB 1,027 mn, or 8.1%
KOR-008	Risk of deviation of Debt/EBITDA indicator from the target specified in the business plan, points				4 points The target value specified in the business plan was exceeded by 0.3 points
KOR-009	Risk of deviation of the net profit from the target value established in the business plan, RUB mn				RUB 2,221.5 mn The indicator was not achieved mainly due to lower revenue from electricity transmission services and an increase of other expenses
KOR-010	Risk of failure to meet the key parameters of the Investment Programme, RUB mn				RUB 773 mn Financing of the Investment Programme totalled 94.6% vs the target
KOR-011	Risk of deviation of "per unit investment cost reduction" indicator from the target value specified for the planning period, %				Not occurred
KOR-012	Risk of failure to achieve the capacity utilisation indicator established for the planning period, %				Not occurred
KOR-013	Risk of failure to achieve the reliability level of electricity transmission services specified for the tariff regulation, points				Not occurred
KOR-014	Risk of failure to achieve the quality level of grid connection services specified for the tariff regulation, points				Not occurred
KOR-015	Risk of accident occurrence through a fault of the Company, points pcs				Not occurred
KOR-016	Risk of deviation of the labour productivity increase indicator from the target value specified in the business plan, RUB thous. / man-hour				Not occurred

■ Not applicable

■ Moderate

■ Significant

■ Critical

Risks are assessed using one of two methods – based on scenario and expert judgement or on expert judgement only. Using the obtained results, one can determine the risk significance level in line with three significance scale ranges established by the Methodology (moderate, significant, and critical).

¹ Minutes No. 06/16 of the meeting of the Board of Directors dated 17 March 2016.

² For more details on the functions of RMS participants, please see Appendix No. 3.6 to the Annual Report.

RISK MANAGEMENT AND REPORTING

Critical risks are not acceptable for IDGC of Centre, so they are subject to priority management.

Significant risks are not critical but have substantial effect on the Company's operation and are subject to management.

Moderate risks do not have considerable effect on the Company's operation though they are subject to periodic monitoring.

In order to mitigate the risks, the Company develops and approves Action plans for the Company's operational risk management in line with the approved Methodology and on an annual basis.

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

Risks occurred in 2019¹

KOR index	Risk causes	Basic risk management activities
KOR-001	<ul style="list-style-type: none"> Lower consumption from IDGC of Centre's grids (including load transmission to the facilities of PJSC FGC UES) by the following consumers: JSC Lebedinsky GOK, CJSC Oskolsetiment, OJSC Oskol Electrometallurgical Plant (Belgorodenergo), NLMK Group (Lipetskenergo), OJSC Slavneft-YANOS, LLC Transneft-Baltik (Yarenergo) 	<ul style="list-style-type: none"> Cooperation with the Regional Energy Commission for including the revenue shortfall resulting from lower actual net delivery relative to the value adopted while approving tariff and balance decisions for the forthcoming regulatory periods. Implementation of the Programme to reduce electricity losses. Following the schedule of regular checks of measuring systems. Replacement of meters according to the schedule. Timely implementation of the Programme to upgrade electricity fiscal metering on the retail market
KOR-003	<ul style="list-style-type: none"> Non-performance of activities by applicants under grid connection agreements with JSC LGEK – 16.7 MW (Lipetskenergo); Termination of grid connection agreements with LLC Vyazemsky Plywood Factory – 1.9 MW, JSC Optimum – 2.5 MW (Smolenskenergo). 	<ul style="list-style-type: none"> Deviation of the grid connection scope is less than 5% from target indicators for 2019. Any activities are not required as the failure to provide the target grid connection scope did not affect the achievement of the "Revenue from grid connection services" indicator
KOR-007	<ul style="list-style-type: none"> Postponement of the termination of the bankruptcy proceedings of OJSC Smolenskenergosbyt (GK Energostrim) and, as a result, the expected debt amortisation no earlier than in 2020; Default on a payment and raising of disagreements related to a disputable offset of similar liabilities on the part of PJSC TNS Energo Yaroslavl 	<ul style="list-style-type: none"> Reconciliation of disagreements in cooperation with PJSC TNS Energo's group of companies with the involvement of specialists and management of the branch. As a result of joint efforts, disagreements were structured by periods and causes, reconciliation of settlements for electricity transmission services are in process. Addressing the issue of restructuring of the overdue undisputed debt. The undisputed debt is collected under the claim-related efforts

KOR index	Risk causes	Basic risk management activities
KOR-008	<ul style="list-style-type: none"> Decline in EBITDA vs the target due to the accrual of valuation provisions by the end of the year 	<ul style="list-style-type: none"> Development of economically feasible tariff and balance decisions allowing to ensure the tariff level not lower than that used to calculate a revenue under the business plan, provided that the approved socio-economic parameters (forecast of the Russian Ministry of Economic Development), limiting tariff levels approved by the Federal Antimonopoly Service (FAS of Russia) were not changed comparing to those accounted for in the business plan. Monitoring of non-exceedance of the approved OPEX value and achievement of specified indicator targets for the reduction of per unit operating expenses. Cost management depending on the expected revenue level (considering the mandatory reliability and safety requirements). Development and implementation of the Action plan to increase operating efficiency and improve the financial and economic performance. Monitoring of compliance with the outstanding loan threshold values according to the business plan. Activities designed for KOR-007, KOR-009, KOR-01
KOR-009	<ul style="list-style-type: none"> Lower revenue for electricity transmission; Increase in other expenses 	<ul style="list-style-type: none"> Monitoring of non-exceedance of the approved OPEX value and achievement of specified indicator targets for the reduction of per unit operating expenses. Cost management depending on the expected revenue level. Development and implementation of the Action plan to increase operating efficiency and improve the financial and economic performance. Management activities for KOR-001 to KOR-007 risks
KOR-010	<ul style="list-style-type: none"> Actual shortfall of the tariff revenue exceeded RUB 700 mn, which led to fewer financing sources for the Investment Programme at Lipetskenergo branch; Reduced number of applications for subsidised grid connection relative to the average level across the Belgorodenergo branch; The necessity to relocate and re-design the Grid Control Centre due to imposing of judicial restraints on potential disposal of Belgorodenergo's leased premises, where the Grid Control Centre is currently situated 	<ul style="list-style-type: none"> Synchronisation of investment programmes with allied grid organisations and other related third parties, timely approval of investment programmes under the Russian legislation in place. Conduct of process and pricing audit. Keeping of terms for procurement procedures and contract conclusion in accordance with implementation timeframes of investment projects under the approved investment programmes. Timely preparation of initial permits, design and operational documentation. Incoming quality control of materials and equipment. Timely funding of the facilities under the investment programmes, compliance with due dates of existing contractor agreements. Stage-wise adherence to the construction and erection schedule. Capital construction quality management. Organisation and provision of an independent construction inspection at capital construction facilities. Timely handling of documents related to commissioning of completed construction facilities.

¹ For more details on the Company's risks, their significance assessment and changing of its level in the reporting year, please see Appendix No. 3.6 to the Annual Report.

ANTI-CORRUPTION INITIATIVES

The Company's activities aimed to prevent and counter corruption offences are aligned with the [Anti-Corruption Policy](#) approved by the Company's Board of Directors in 2017.

REVIEWING AND CHECKING THE INFORMATION ON POTENTIAL CORRUPTION OFFENCES AND OTHER ABUSES

The Company declares its transparency in anticorruption efforts, for example, through reviewing and resolving of applications from the Company's employees, counterparties, other individuals and legal entities on possible corruption offences, including applications received via the interaction channel for communication with applicants (website, telephone hotline), as well as by mail and at individual appointments.

In the reporting year, IDGC of Centre received 112 hotline appeals, nine of them were made using a feedback form on the [Company's corporate website](#), 103 – using the e-mail address doverie@mrsk-1.ru and the hotline number. Two appeals on probable facts of corruption were received and investigated. The checks proved the suspected corrupt practices to be false. [GRI 205-3](#)

The Company also conducted comprehensive audits of financial and business activities of its branches and checked how their officials adhered to the requirements of organisational and administrative documents of PJSC Rossetti and IDGC of Centre, particularly in combating corruption.

The Company continuously monitors signed contracts and addenda to them for full and reliable information on counterparties' ownership chain, including beneficiaries (comprising ultimate ones), as well as for available data on membership of their executive bodies; the relevant information is uploaded to the Automated System of Collection and Analysis of Information on Beneficiaries of PJSC Rossetti (AS CAIB).

Data on 13,760 contracts with 3,140 counterparties were checked and uploaded to the AS CAIB. While checking the procurement procedure parties, 1,069 individual expert judgements of the security unit were uploaded to the AS CAIB. Following the checks, 103 negative judgements were made.

PREVENTION OF CORRUPTION WHEN INTERACTING WITH PARTNERS AND COUNTERPARTIES

For prevention of corruption during interaction with partners and counterparties, the Company provides anti-corruption procurement control, which includes inspection of procurement documentation and participants to evaluate their reliability and probity, resolve conflicts of interest, exclude affiliation and other abuses related to positions held in the Company.

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

- informing the partners and counterparties about programmes, standards of conduct, procedures and rules focused on corruption prevention and counteraction, joining of the Company to the Russian business Anti-corruption Charter and inclusion of the Company in the Register of Reliable Partners;
- meeting the requirements of the Uniform Anti-corruption Standard when providing the anti-corruption procurement control.

Within the framework of the anti-corruption control, the following is checked:

- signing of anti-corruption obligations by a procurement participant as to compliance with, and implementation of, the principles and requirements of the Company's Anti-Corruption Policy, including the obligation not to commit any corruption and other offences;
- submission of a declaration on conflict of interest and/or affiliation relations with the Company's employees;
- delivery of information about the entire chain of ownership, including beneficiaries (comprising ultimate ones), data on the structure of executive bodies, as well as consent to personal data processing;
- inclusion of an anti-corruption clause into the contract.

PARTICIPATING IN COLLECTIVE ANTI-CORRUPTION INITIATIVES

Participating in collective initiatives to prevent and counteract corruption offences is one of the anti-corruption measures. In 2015, the Company joined the Russian business Anti-corruption Charter and confirmed compliance with its requirements in 2019.

IDGC of Centre cooperates with representatives of public and administrative authorities, law enforcement agencies to improve the laws related to safety and security in the Fuel and Energy Sector, settle problems with making the Company's financial and business activities transparent and prevent cases of abuse by the power

grid companies' officials and persons affiliated therewith, as well as violations of the principles of competition and abuse of dominant position. The Company also cooperates on the issues related to elimination of administrative barriers, restriction of freedom of economic activity, unlawful interference with the Company's activities.

GRI 102-25

RESOLUTION OF CONFLICT OF INTEREST

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

- a personal example of the management in the formation of a culture of intolerance towards corruption and the creation of an intra-organisational corruption prevention and counteraction system;
- employee job commitment: employees awareness of anti-corruption laws and active participation in the development and implementation of anti-corruption standards and procedures;
- adequacy of anti-corruption procedures to potential damage and probable occurrence of the Company's corruption risk;
- efficiency of anti-corruption procedures: anti-corruption measures, which are simple to implement and yield the significant result;
- responsibility and inevitability of punishment for the Company's employees, irrespective of the position held, work experience and other conditions in case they committed corruption offences in connection with their labour duties;
- transparency of business operations: communication of information to the partners, counterparties, and community about the business anti-corruption standards adopted in the Company.

In the reporting period, the Company developed and approved the following local organisational and regulatory documents:

- Regulation on Insider Information;
- Regulation on IDGC of Centre's Commission for compliance with the norms of corporate ethics and settling conflicts of interest;
- Guidelines (regulation) on settling conflicts of interest in PJSC IDGC of Centre;
- Regulation on the Anti-Corruption Compliance Procedure Unit of the Economic Security and Anti-Corruption Policy Department at PJSC IDGC of Centre.

These documents are available on the [website of the Company](#). The Company informs its employees and members of the management bodies about approval of said documents and mandatory compliance with their requirements.

Management of conflicts of interest is carried out with the participation of the Committee on Corporate Ethics Compliance and Conflict of Interest Resolution.

MEASURES TO RESOLVE THE CONFLICT OF INTEREST INCLUDE:

- disclosure of conflicts of interest;
- employees exercising their powers, functions and official duties in relation to the Company only based on the interests of the Company;
- refusal of managers/employees to participate in relationships with business partners of the Company, except for doing business on behalf and in the interests of the Company;
- Prevention of cases of influencing decisions of heads of business units of the Company in order to facilitate the hiring, transfer of employees to higher positions;
- refusal to carry out activities competitive with the interests of the Company;
- timely resolution of each pre-conflict situation that has arisen, and others.

To prevent the conflict of interest, candidates to vacant positions and the Company's employees shall declare the conflict of interest according to a relevant procedure:

- under the 2018 Declaration campaign, 5,049 conflict of interest declarations of the Company's employees were collected and checked. Declaration results were reviewed by the Committee

on Corporate Ethics Compliance and Conflict of Interest Resolution of IDGC of Centre;
 • the data declared by candidates to vacant positions were checked and resolutions on candidate approval/disapproval were made, the Company keeps a register of candidates (in 2019, 1,200 persons were checked, negative resolutions were made for two candidates).

Disclosures made by the Company's management and their close relatives about their income and property liability is checked annually. In 2019, 563 declarations of the Company's management and their close relatives about their income and property liability for 2018 were checked.

(107 – the Company's officials and 456 – their close relatives). The checks showed no signs of the conflict of interest and pre-conflict situation related to the job duties of the above-mentioned parties.

The employees shall notify the Company about any occurrence of a conflict of interest.

Members of the management bodies shall notify the Company upon the occurrence of circumstances due to which such persons can be recognised as stakeholders relative to the Company's transactions, as well as about changing of such information.

In line with the Regulation on the Board of Directors, Corporate Governance Code, members of the Board of Directors or Management Board, the General Director agree to refrain from actions that can lead to a conflict of interest between them and the Company. If such conflict of interest occurred, the member of the Board of Directors or Management Board, the General Director shall inform the Board of Directors and hold back from voting on respective issues.

In line with the order of PJCS Rosseti on setting-up a working team for perfection of anti-corruption methodological support, employees of the Anti-Corruption Compliance Procedure Unit regularly take part in working teams, offsite seminars/meetings regarding current issues of corruption prevention and counteraction in the power grid complex.

SECURITIES

SHARES

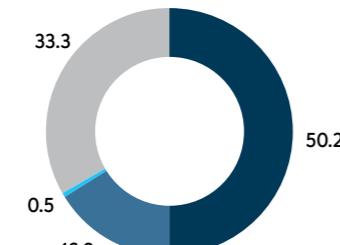
As at 31 December 2019, the authorised capital of IDGC of Centre amounted to RUB 4,221,794,146.80 and was split into 42,217,941,468 ordinary shares with a par value of RUB 0.1 each. Preference shares were not placed.

IDGC of Centre's Articles of Associations provide for authorised shares – 258,532 ordinary shares with a par value of RUB 0.1 each. No share issues or additional share issues were placed in 2019. IDGC of Centre has no cross-held shares.

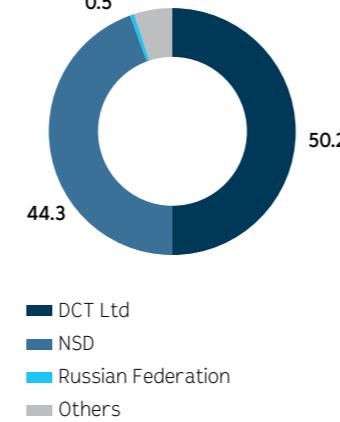
As at the last record date – 6 December 2019 – the shareholder register of IDGC of Centre includes 21,204 people.

The major shareholders are PJSC Rosseti (50.2%) and New Russian Generation Limited (16.0%). The Russian Federation holds 0.46% in the Company's authorised capital, including 0.4552% – in federal ownership, 0.000000099% – in the ownership of the constituent entities of the Russian Federation, and 0.0058% – in municipal ownership.

Major shareholders as at 6 December 2019, %



Major shareholders as at 31 December 2019, %



In 2019, the structure of shareholders who own at least 5% of voting shares was changed: on 23 September 2019, Genhold Limited lost the right to dispose 15.0% of the Company's shares, while New Russian Generation Limited gained the right to dispose 16.0% of the Company's shares.

Prosperity Capital Management Limited has a direct or indirect right to dispose of 20.85% of shares constituting the authorised capital of the Company.

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

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

Shareholding structure by geography of shareholders as at 6 December 2019

Country	Number of shareholders	% of total number of shareholders	Number of shares	% of the equity capital
Russia	21,084	99.43	30,873,726,568	73.1294
Cayman Islands	5	0.02	8,291,619,696	19.6400
Norway	1	0.00	914,654,120	2.1665
Cyprus	25	0.12	834,307,762	1.9762
Luxembourg	2	0.01	550,809,277	1.3047
Switzerland	9	0.04	473,248,508	1.1210
The British Virgin Islands	2	0.01	150,185,561	0.3557
Netherlands	1	0.00	42,275,000	0.1001
The United Kingdom	11	0.05	41,805,014	0.0990
The United States of America	5	0.02	13,178,066	0.0312
Others	59	0.28	32,131,896	0.0761
Total	21,204	100	42,217,941,468	100

Shareholding structure by the number of shares owned by shareholders

Number of shares	Number of shareholders	% of total number of shareholders	Number of shares	% of the equity capital
1-100	896	4.23	35,881	0.0001
101-500	1,911	9.01	619,160	0.0015
501-1,000	1,136	5.36	1,000,551	0.0024
1,001-10,000	4,883	23.03	21,162,131	0.0501
10,001-100,000	7,424	35.01	327,006,686	0.7746
100,001-1,000,000	4,296	20.26	1,206,193,389	2.8571
1,000,001-10,000,000	567	2.67	1,595,163,415	3.7784
10,000,001-100,000,000	68	0.32	1,965,334,635	4.6552
Over 100,000,001	23	0.11	37,101,425,620	87.8807
Total	21,204	100	42,217,941,468	100

Shareholding structure

Shareholding structure as at 31.12.2019		Shareholding structure as at 06.12.2019 (the last record date)	
Type of shareholder	% of outstanding shares	Type of shareholder	% of outstanding shares
Owners – individuals	4.3	Owners – individuals	15.7
Owners – legal entities	1.0	Owners – legal entities	82.7
Nominee holders	94.7	Nominee holders	0.6
Trustees	0.0	Trustees	1.0
Total	100	Total:	100
Residents of the Russian Federation	99.9	Residents of the Russian Federation	73.1
Non-residents of the Russian Federation	0.1	Non-residents of the Russian Federation	26.9
Total	100	Total	100

REGISTRAR

JSC VTB Registrar acts as a specialised registrar of IDGC of Centre and maintains its shareholder register. JSC VTB Registrar has over 25-year experience in licensed activities, provides high reliability of register keeping and storage and a professional approach to dealing with issuers and shareholders. JSC VTB Registrar includes 56 regional units and provides services to more than 7,200 issuers.

Shareholders and their representatives can also contact the Registrar's branches and transfer-agents, branches of IDGC of Centre concerning the introduction of changes to the shareholder register and acquisition of information from the shareholder register. The authorised specialists of relevant branches execute some functions of the Registrar. Contact details of the Registrar branches and those of IDGC of Centre are available on [the Company's official website](#).

Shares listing history

19 May 2008 Non-Listed Securities Register	10.08.2011 Quotation List A2	9 June 2014 First Tier of the List	18 August 2017 Second Tier of the List
8 April 2009 Quotation List B	22 October 2012 Quotation List A1	31 January 2017 Third Tier of the List	
2008	2009	2011	2012
		2014	2017
		2017	2017

EXCHANGE TRADING

Since 2008, ordinary shares of IDGC of Centre have been traded on Moscow Exchange. Since August 2017, they have been listed in the Second Tier of the Moscow Exchange Quotation list.

Basic identification codes and tickers of shares

Name within the Exchange or information systems	Code/ticker
State registration number	1-01-10214-A
ISIN (International Security Identification Code)	RU000AOJPPL8
Moscow Exchange	MRKC
Bloomberg	MRKC RX
Reuters	MRKC.MM
Interfax EFIR	MRKC.MICEX

Indices, the calculation basis of which includes shares of IDGC of Centre, as at 31 December 2019

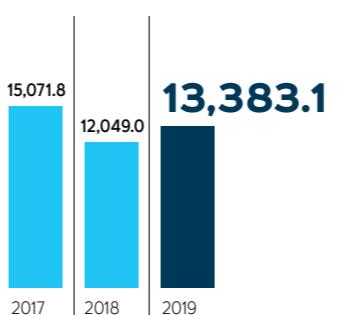
Indices	Code	Share of IDGC of Centre in the index, %
Electric Utilities Index	MOEXEU	1.70
Index for Mid- and Small-cap Stocks	MCXSM	0.69
Broad Market Index	MOEXBMI	0.03
Regulated Company Index	MOEX RCI	1.25

According to the Index Committee of Moscow Exchange, the free float ratio of IDGC of Centre's shares is 34%. For more details on the free-float index calculation procedure, please visit [Moscow Exchange's website](#).

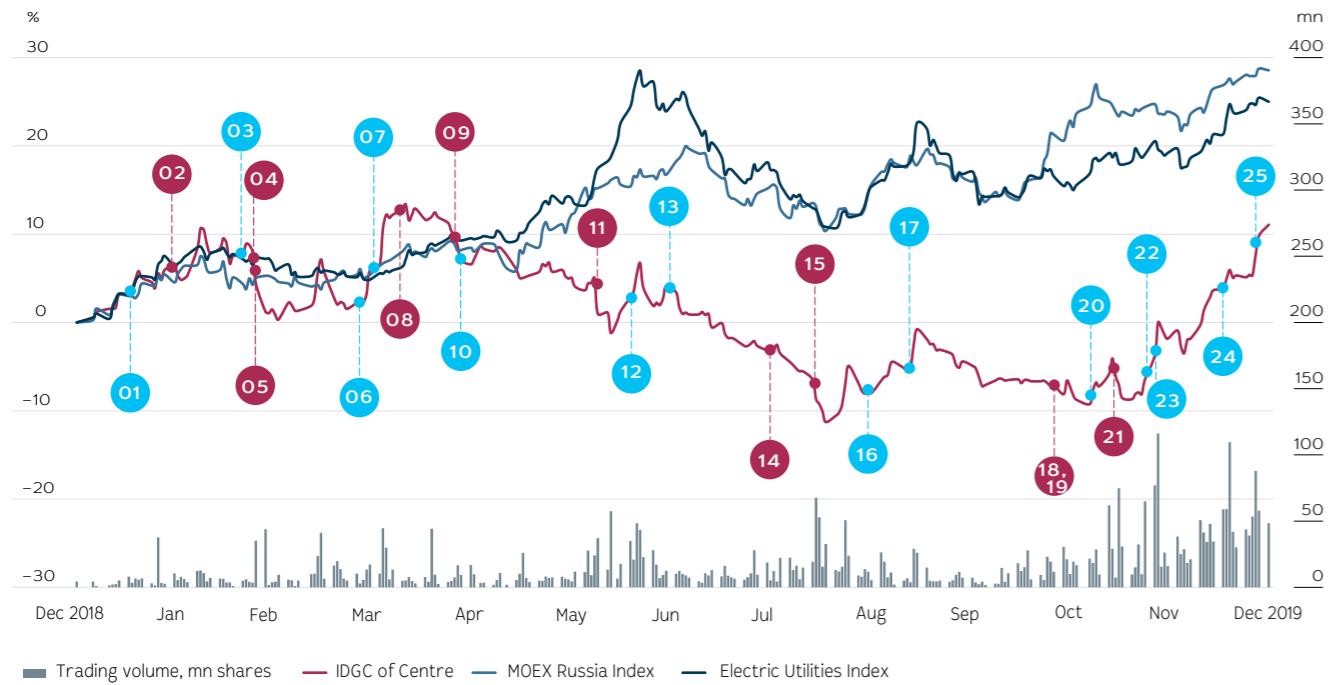
Results of IDGC of Centre's shares trading by the end of 2019

Price and capitalisation as at 31.12.2019	RUB	USD
Share price (closing)	0.317	0.0051
Share price (market price)	0.317	0.0051
Capitalisation (at market price), mn	13,383.1	216.2

The Company adheres to the risk-oriented approach to corporate governance. To mitigate the risks, the Company continuously monitors compliance of the Company's corporate governance practice with the requirements of the Moscow Exchange Listing Rules and liquidity parameters of the Company's shares. The Company strives to meet the requirements of the Corporate Governance Code, to ensure information exchange with the shareholders, investors and all stakeholders with the aim of achieving the strategic increase in investment appeal.

CAPITALISATION
Capitalisation in 2017–2019, RUB mn


By the end of 2019, a positive trend of the share price was maintained. In the first quarter, there were strong price fluctuations, which could be related both to financial results for the previous year and the appearance of the information in the media about possible large-scale changes in tariff regulation. In April, the share price started to decline rapidly due to news about the financial results of IDGC of Centre for the first quarter and first half of 2019, as well as due to the revision of estimates and recommendations on shares of IDGC of Centre by several investment banks. Since mid-November, a steady positive trend has begun associated with a favourable news background and information on the recommendations of the Board of Directors of IDGC of Centre for the payment of interim dividends. The total capitalisation change in 2019 was +11.1%.

Capitalisation of IDGC of Centre's shares and the trading volume vs key market indicators and key events

Chart-highlighted events and news that impacted trading volumes

No. on the chart	News / Details	Date	Source	Influence
1	FAS of Russia suggests setting a single cross-subsidisation rate for consumers of all voltage levels	16.01.2019	External	Positive
2	The Government of the Russian Federation plans to take investment programmes of state-owned companies under control	27.01.2019	External	Negative
3	FAS of Russia plans launching of pilot projects for the adoption of cost standards in power grid tariff calculations in 2020, while in 2021, this system will be implemented in all Russian regions	18.02.2019	External	Positive
4	Interfax informed, that the Government of the Russian Federation approved the proposal of FAS of Russia on restricting the right of the Russian Federation constituent entities to exceed the established tariff limits for electricity transmission services without the express approval of FAS of Russia	21.02.2019	External	Negative
5	IDGC of Centre published its RAS financial statements for 2018	22.02.2019	Internal	Negative
6	The Board of Directors of IDGC of Centre approved the Company's Business Plan for 2019	25.03.2019	Internal	Positive
7	The Minister of Energy of the Russian Federation reported that the Ministry expected a 1.2% annual average growth of electricity consumption until 2024	30.03.2019	External	Positive
8	Renaissance Capital updated its ratings and recommendations on shares of power grid companies. The target price of IDGC of Centre's shares was cut down	05.04.2019	Internal	Negative
9	IDGC of Centre published its RAS financial statements for Q1 2019	25.04.2019	Internal	Negative
10	The Board of Directors of IDGC of Centre recommended paying dividends following the results of 2018	26.04.2019	Internal	Positive
11	The list of persons entitled to receive dividends was prepared	10.06.2019	Internal	Negative

No. on the chart	News / Details	Date	Source	Influence
12	The Head of PJSC Rosseti, P. Livinskiy, proposed the Government of the Russian Federation to increase fourfold the tariff for direct consumers of PJSC FGC UES within three years	17.06.2019	External	Positive
13	The Head of PJSC Rosseti made several statements at the Shareholders Meeting: the energy holding planned to submit proposals to the Government of the Russian Federation on a new strategy, in particular, including a stock options plan for top managers	30.06.2019	External	Positive
14	Analysts of Sova Capital reviewed their ratings and recommendations on shares of power grid companies after the dividend season completion. Rating of IDGC of Centre's shares was downgraded	29.07.2019	External	Negative
15	The Russian Ministry of Economy gave a negative assessment to consequences of the uniform tariff discrimination at PJSC FGC UES	13.08.2019	External	Negative
16	At a meeting on 28 August, Vice-Prime Minister, D. Kozak, endorsed the idea to adopt the cost standard method for grid tariff calculation	30.08.2019	External	Positive
17	The Russian Ministry of Finance plans both to secure the state-owned companies' liability to allocate at least 50% of their IFRS net profit to dividends and to impose a similar requirement for dividend payments for their subsidiaries	12.09.2019	External	Positive
18	The Kommersant daily reported about Rosseti's group of companies planning to consolidate shares of the subsidiaries	25.10.2019	External	Negative
19	IDGC of Centre published its RAS financial statements for nine months of 2019 with a 14.2% decline in net profit	25.10.2019	Internal	Negative
20	Rosseti's group of companies plans to increase the dividend payments to 75% of RAS annual profit since 2020	06.11.2019	External	Positive
21	The Russian Ministry of Economic Development did not include Rosseti's group of companies and RusHydro into the Privatisation Plan for 2020–2022 submitted to the Government of the Russian Federation	14.11.2019	External	Negative
22	According to news reports with reference to the minutes of the meeting of Vice-Prime Minister, D. Kozak, held on 31 October, the Government of the Russian Federation in general approved and considered it necessary to include proposals of the Russian Ministry of Energy on the consolidation of grid assets, tariff discrimination, payment for the grid capacity reserve and reduction of subsidised grid connection cost into the Strategy for Development of the Electric Grid Complex until 2030. It was emphasised in the minutes of the meeting that the Grid Strategy shall lead to a cut in electricity transmission tariffs	25.11.2019	External	Positive
23	The Board of Directors of IDGC of Centre recommended the General Shareholders Meeting to pay out dividends for the Company's ordinary shares by the end of nine months of 2019	26.11.2019	Internal	Positive
24	General Director of IDGC of Centre, I. Makovskiy, held a press-conference where he summarised the performance results in 2019 and highlighted the key projects for the foreseeable future	17.12.2019	Internal	Positive
25	The Board of Directors of PJSC Rosseti approved a new strategy	27.12.2019	External	Positive

IDGC of Centre's share performance against indices

Indicator	IDGC of Centre	MICEX Index	Electric Utilities Index	Regulated Company Index
29.12.2017 (market price / value)	0.3570	2,109.74	1,816.30	1,142.84
29.12.2018 (market price / value)	0.2860	2,369.33	1,608.85	1,161.42
30.12.2019 (market price / value)	0.3170	3,045.87	2,010.99	1,501.42
Change 2019/2018, %	11.1	28.6	25.0	29.3
MAX (on closing)	08.04.2019	0.3240	27.12.2019	3,050.47
			20.06.2019	2,067.59
MIN (on closing)	15.08.2019	0.2550	03.01.2019	2,375.60
			08.01.2019	1,615.44
			N/A	N/A
			N/A	N/A

The comparison of capitalisation changes with key benchmarks of the Russian stock market has revealed their lagging behind induced by an unfavourable news background mainly related to the Company's financial results. Stronger growth of MICEX Index is also attributed to investors greatly interested in liquid shares of the Russian

market due to higher energy prices and mitigation of geopolitical risks.

Key securities market data for the Company in 2017–2019

Indicator	2017	2018	2019	Change 2019/2018, %
Number of transactions	134,736	78,361	115,501	47.4
Trading turnover, mn shares	4,381.2	3,403.1	4,239.4	24.6
Trading turnover, RUB mn	1,946.4	1,173.7	1,215.3	3.5
Trading turnover, share of free-float, %	30.5	23.7	29.5	5.8 p.p.
Average daily number of transactions	535	309	458	48.6
Average daily spread, %	0.36	0.33	0.27	-0.06 p.p.

In the first six months of 2019, the trading volume was characterised by moderate fluctuations mainly below the annual average, with volume spikes mainly in second half-year. The enhanced liquidity of the Company's shares was mostly attributed to payment of annual and interim dividends, as well as the news related to prospective tariff regulations and further power grid complex development. The trading volume at Moscow Exchange (main trading mode T+) in 2019 amounted to 4,239.4 mn shares, or 10.0% of the total number of shares (8.1% in 2018) showing a 24.6% growth year-on-year. The average daily number of transactions with shares at Moscow Exchange (main trading mode T+) was 458, a 48.6% increase year-on-year (309 trades in 2018). The average annual spread for the year was 0.27%, this figure was up 0.06 p.p. year-on-year (0.33% by the end of 2018).

The market liquidity parameters of the Company's shares are also significantly approved by a market maker. Since 1 March 2019, LLC IC Veles Capital has served as the market maker.

DIVIDEND POLICY

The Company's Dividend Policy based on a balance between the interests of shareholders and the Company's needs and is aimed at improving investment attractiveness and increasing the market capitalisation of the Company.

Dividend History in 2016–2019

Indicator based on RAS data	Dividends			
	2016	2017	2018	9 months of 2019
Dividend per share, RUB	0.044215195	0.0208212	0.0207533	0.0200649
Dividend yield, % ¹	16.06	4.72	6.13	6.86 ²
Amount of declared dividends, RUB thousand	1,866,675	879,028	876,162	847,099
Share of RAS net profit allocated to dividends, %	100	43.27	62.34	95.94
Dividends paid out, RUB thousand	1,842,549	867,152	869,152	840,324 ³
Share of dividends paid out, % ⁴	98.71	98.65	99.20	99.20
Date for recording persons entitled to receive dividends	21.06.2017	13.06.2018	10.06.2019	13.01.2020
Date of resolution on dividend payout	08.06.2017	31.05.2018	30.05.2019	30.12.2019

BONDS

During 2019, the IDGC of Centre's series BO-04, BO-05, BO-06, and 001P-01 bonds with a face value of RUB 5 billion for each issue were traded on Moscow Exchange.

- On 23 August 2019, the bonds were purchased, and on 4 September 2019, early repayment of BO-05 series bonds with a total value of RUB 5 billion was performed.
- On 19 November 2019, BO-04 series bonds with a total value of RUB 5 billion were purchased.
- On 19 November 2019, Moscow Exchange placed IDGC of Centre's bonds of 001P-01 series.

The National Settlement Depository (NSD) acts as the depository.

Key data of bond issues being traded as at 31 December 2019

Key securities issue data	Series BO-04 bonds	Series BO-06 bonds	001P-01 bonds under the Programme of 001P Series Exchange-Traded Bonds
Quantity, bonds	5,000,000	5,000,000	5,000,000
Face value, RUB	1,000	1,000	1,000
Amount, RUB	5,000,000,000	5,000,000,000	5,000,000,000
ID number	4B02-04-10214-A	4B02-06-10214-A	4B02-01-10214-A-001P
ID number assigned on	25.06.2013	25.06.2013	15.11.2019
ISIN	RU000AOJVYL8	RU000AOZZIY7	RU000A1012N8
Other ID features	Put option in seven years following the start date of placement, additional option on 19 November 2019 (exercised)	Put option in three years following the start date of placement	Put option in three years following the start date of placement
Start date of placement	24.11.2015	10.04.2018	19.11.2019
Maturity date	11.11.2025	28.03.2028	12.11.2024
Maturity	10 years	10 years	5 years
Coupon rate, %	11.58	6.95	6.85
Exchange	Moscow Exchange	Moscow Exchange	Moscow Exchange
List	Third Tier	Second Tier	Second Tier
Coupon yield per bond, RUB	57.74	34.65	34.16
Issue originators	Gazprombank (JSC)	Gazprombank (JSC), JSC VTB Capital, JSC Sberbank KIB, PJSC Sovkombank	Gazprombank (JSC), PJSC MOSCOW CREDIT BANK, PJSC FC Otkritie Bank

¹ According to Moscow Exchange (Calculation Method).

² According to the Company's calculations as at the date of making the decision on the dividend payout as a ratio of declared dividends for the reporting period to be paid out per one share and a median value of the share market prices for the reporting period.

³ As at 17 February 2020 – the last day of the dividend payout period.

⁴ Information available as at 31 December 2019, except for the "9 months of 2019" column. No dividends were paid to shareholders who provided no payment details or incorrect details in accordance with Clause 5 of Article 44 of Federal Law No. 208-FZ "On Joint-Stock Companies" dated 26 December 1995. Dividends accrued on shares held by unidentified persons are paid if and when shareholder rights to the securities are identified.

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

- the total face value of all exchange-traded bond issues placed under the 001P Series Exchange-Traded Bond Programme is up to RUB 40 billion and including;
- the maturity date is within 10,920 days from the bond issue placement date;
- The ID number of the 001P Series Exchange-Traded Bond Programme: 4-10214-A-001P-02E dated 21 December 2016.

100%
fulfillment of obligations
for the payment of coupon income
in 2019 and during the entire term
of the exchange bonds circulation

In 2019, the following bond yield was paid out, RUB

Coupon No.	B0-04	B0-05	B0-06
1	288,700,000 (21.05.2019)	232,350,000 (22.02.2019)	173,250,000 (09.04.2019)
2	288,700,000 (19.11.2019)	232,350,000 (23.08.2019)	173,250,000 (08.10.2019)

INVESTOR RELATIONS

IDGC of Centre gives particular emphasis on the improvement of relations with shareholders and investors. The established system of communication with all stakeholders is designed to enhance the information transparency and investment appeal of the Company.

Information on IR events involving IDGC of Centre is available of the Company's website: [Investor Calendar for 2019](#). The events planned for 2020 are also available

Key events enhancing the Company's investment appeal in 2019

IDGC of Centre held the Analyst's Day for representatives of investor community on the outcomes of the Company's performance for 2018 and the guidance for 2019	In February, Standard & Poor's upgraded the long-term credit rating of IDGC of Centre up to "BB+" with a stable outlook	The extraordinary General Meeting of Shareholders decided to pay dividends on ordinary shares for 9 months of 2019
The shareholders at the annual General Meeting decided to allocate RUB 876 mn for the payment of dividends		General Director of IDGC of Centre, Igor Makovskiy, met with representatives of minority shareholders
27.03.2019	30.05.2019	22.07.2019

07.08.2019 30.12.2019

in IR-Calendar Section or on the portal Closir.com, where you may also apply to participate in the planned events with the Company's management.

TOOLS FOR INTERACTION WITH SHAREHOLDERS AND INVESTORS

In 2019, live teleconferences were conducted to discuss the results of publishing the IFRS statements of the Company for six and nine months of 2019. The Company's management answered the questions of the investors, provided detailed comments regarding the key factors affecting the Company's operation.

The Company responds to requests on the current Company's activities submitted by analysts, investors, and shareholder.

One of the key tools for interaction with shareholders and investors is the Company's website.

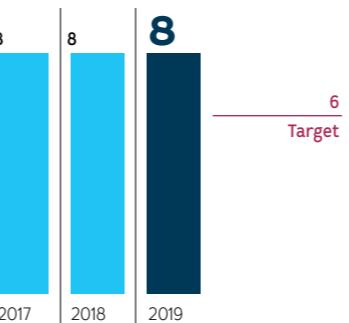
The Company utilises modern communication practices, including electronic ones. For example, in line with recommendations of the Corporate Governance Code, the Company used the electronic voting system during the annual and extraordinary General Meetings of Shareholders for the second consecutive year. This system ensures equal conditions for security holders in the Company's management irrespective of location and engagement, improves convenience and security while exercising the shareholders' rights.

ANALYTICAL COVERAGE OF THE COMPANY

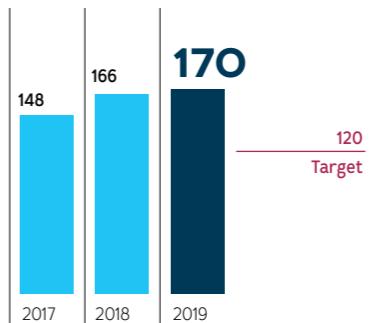
During 2019, three analysts provided the coverage of the Company's operation with the publication of updated recommendations. The consensus forecast of the share price as at 31 December 2019 implied a potential reduction of 6%. The history of recommendations regarding the Company's shares is available at the following [link](#). For more details on IDGC of Centre's interaction with the analysts, please see the [Analytical Support](#) Section on the Company's website.

OUTCOMES OF IR-ACTIVITIES IN 2019

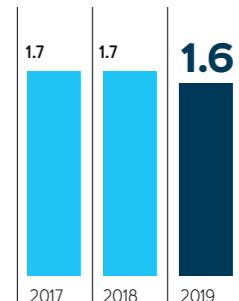
Initiatives on interaction with investors with the participation of Top Managers in 2017–2019, [initiatives](#)



IR-events with investors at the initiative of the Company (calls, meetings) in 2017–2019, [events](#)



Shareholding advices given to the Company's shareholders in 2017–2019, thous. advices

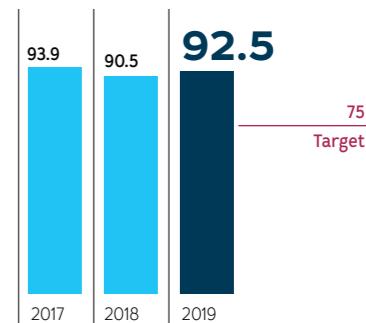


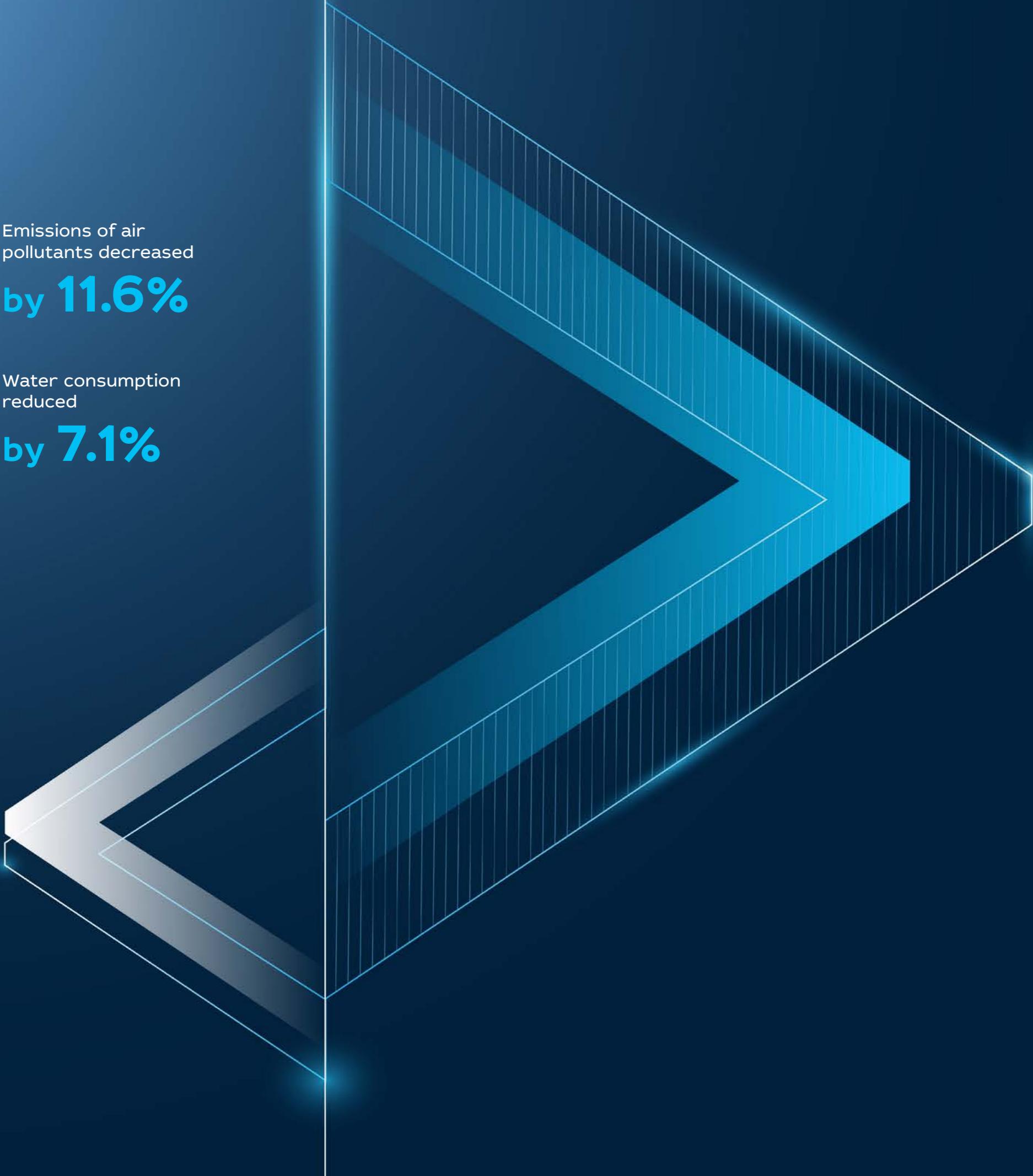
Updated data in the register of shareholders in 2017–2019, persons



Results of the annual Perception Study of the investment community's representatives. The majority of respondents cited the existing Dividend Policy, quality of information disclosure and a sustainable business model as the key strengths of the Company.

Perception in 2017–2019, %





Emissions of air
pollutants decreased

by 11.6%

Water consumption
reduced

by 7.1%

06

CORPORATE RESPONSIBILITY AND SUSTAINABILITY

8 thousand
bird diverters

installed

2.6 thousand km
overhead lines

equipped with safe self-supporting
insulated wires

PRINCIPLES OF CORPORATE RESPONSIBILITY



GRI 102-14, 102-31

"IDGC of Centre is the largest company in Central Russia with key consumers including enterprises of great importance for the regions. The Company contributes significantly to life and development of the territories within its footprint, providing reliable and uninterrupted power supply of consumers, executing grid connection of enterprises and social facilities. Our efforts are aimed towards entertaining the opinions of all stakeholders and complying with sustainable development principles".

"We put in place all the necessary arrangements to ensure safe work, professional advancement and personal self-fulfilment of employees. Employees' lives and health are our top priorities which are put before the performance. In 2019, the Company allocated RUB 604.8 mn to promote occupational safety and reduce the injury rate. Special measures are taken to prevent injuries of third parties at the facilities of IDGC of Centre. Carrying out information and education activities both through the mass media and at the premises of educational organisations constitute an important part of preventive measures.

The assimilation of sophisticated technologies and innovative development of the Company raise requirements to the personnel qualification, therefore our main goal is the mandatory training of the employees. The bulk of trainees (93.6%, or 13,400 employees) is presented by blue-collar personnel.

**Olga Danshina,
Acting Deputy General Director for Organisational Issues,
IDGC of Centre**

HR DEVELOPMENT

GRI 103-2

MANAGEMENT APPROACH

Initiatives implemented by the Company are driven by the HR and Social Policy of IDGC of Centre approved by the Board of Directors in 2014 and aimed at achieving the targets set out in the Strategy for Development of the Power Grid Complex of the Russian Federation.

We put in place all the necessary arrangements to ensure safe work, professional advancement and personal self-fulfilment of employees.

The key principles of the Company's HR management are as follows:

- unified approaches considering the regional specifics;
- achieving a single talent pool;
- creating conditions for the employees' potential development;
- motivation to effective work guaranteeing an increase in labour productivity;
- inadmissibility of discrimination of any form;
- compliance with the principles of social partnership and responsibility specified by the Sectoral Tariff Agreement in the power industry of the Russian Federation.

Besides, the Company sets the following goals in the sphere of HR management:

- recruiting necessary skills in digital energetics;
- developing industry-specific professional skills;
- implementing the practice of professional standards and independent assessment;
- interacting with educational institutions to create relevant and advanced professional skills;
- improving the on-the-job coaching system by expanded coaching practices both for personnel training and onboarding programmes;
- developing the corporate educational system;
- strengthening collaboration with the WorldSkills;
- implementing youth policy projects;
- developing personnel incentives and social programmes.

Any form of discrimination as regards future or current employees is viewed negatively by the Company, which considers forced or obligatory work inappropriate and totally adheres to a statutory ban to employment of children.

GRI 102-7, 102-8

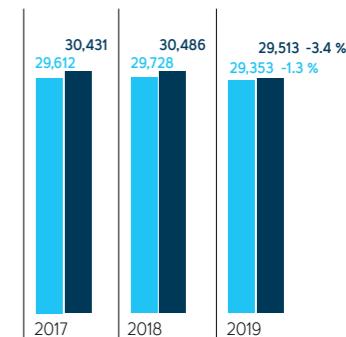
HEADCOUNT AND PERSONNEL BREAKDOWN

Average headcount decreased by 1.3% year-on-year to 29,353 employees.

The decrease is caused by the measures on improving labour productivity, particularly by optimisation of administrative and management staff.

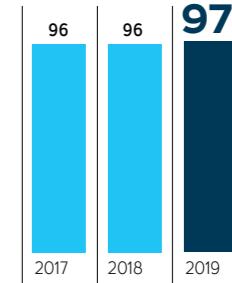
As at 31 December 2019, IDGC of Centre headcount, including part-time employees, reached 29,513 people, down 3.4% year-on-year. Staffing level in 2019 grew up to 97%.

Headcount in 2017–2019, people



Average headcount
Headcount as of 31 December

Staffing level in 2017–2019, %

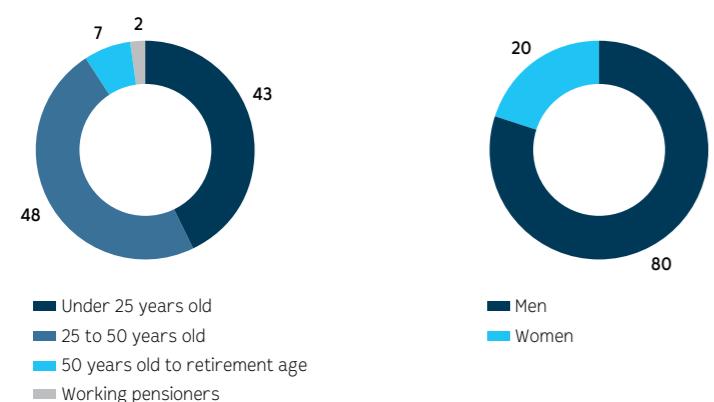


In 2019 the Company hired 2,394 employees, i.e. 8% of total number of regular staff. 80% of new employees are males due to specific character of the power company performance. About half of the employees hired in the reporting year (48.5%) are the specialists aged from 25 to 50, and 42.9% are made by employees under 25.

GRI 405-1

Distribution of newly hired employees in 2019, %

by age categories by gender



Turnover rate dynamics, %

Turnover rate	2017	2018	2019	Average of three years	Notes
Actual value	3.3	3.9	5.6	4.3	The main reasons for the employees' voluntary discharge in 2019 were payroll dissatisfaction and high intensity of work. Plenty of retired personnel obtained proposals for new, more profitable jobs
Turnover by age					
Under 30 (inclusive)	6.6	8.9	13.6	9.7	Young employees and highly skilled personnel aged 30 to 40 have higher mobility
From 31 to 40	3.6	3.9	5.8	4.4	
From 41 to 50	2.6	2.9	4.3	3.3	Turnover analysis by age shows that turnover intensity is inversely related to age: the more is the age, the less is turnover intensity
From 51 to 55	1.6	2.2	2.9	2.2	
Over 55	0.9	0.7	0.8	0.8	
Turnover by gender					
Men	3.4	4.0	5.6	4.3	Men's turnover rate is significantly higher, that is due to men's percentage share in the Company compared to women
Women	3.0	3.6	5.6	4.1	

PERSONNEL BREAKDOWN

The personnel breakdown by categories is typical for the Power Grid Complex and remains rather stable over the past three years. The main part of the personnel is made by the blue-collars accounting for 53% with management and white-collars having 16% and 31% correspondingly.

Personnel breakdown by age is stable owing to measures taken by the Company to attract young specialists from industry-specific schools.

The bulk of the Company's personnel is represented by employees aged under 50 (70%), that is optimal for the Company.

GRI 401-1

PERSONNEL TURNOVER

Voluntary personnel turnover is within the tolerances, but it has increased by 2.3 p. p. throughout the last three years. The average turnover rate in 2017–2019 was 4.3%. The highest rate belongs to young employees under 35. The second place is taken by the employees from 31 to 40 years old.

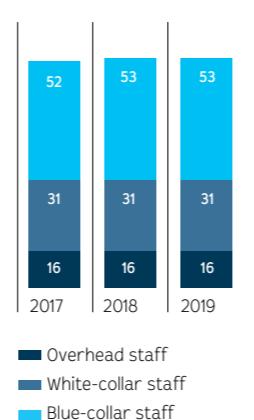
Turnover by age

Under 30 (inclusive)	6.6	8.9	13.6	9.7
From 31 to 40	3.6	3.9	5.8	4.4
From 41 to 50	2.6	2.9	4.3	3.3
From 51 to 55	1.6	2.2	2.9	2.2
Over 55	0.9	0.7	0.8	0.8

Turnover by gender

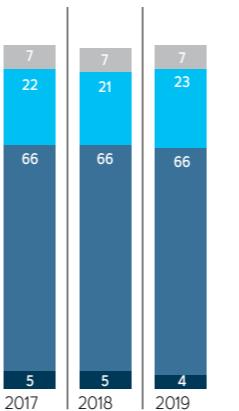
Men	3.4	4.0	5.6	4.3
Women	3.0	3.6	5.6	4.1

Staff structure by categories in 2017-2019, %

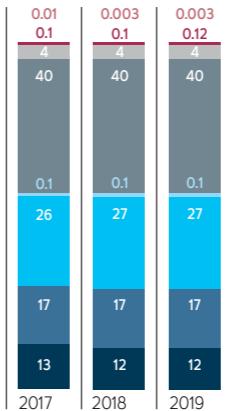


Personnel structure in 2017-2019, %

Staff structure by age



Staff structure by educational



High-level advanced technologies in the power industry require qualification improvement and development. The Company's employees are characterised by a fairly high level of qualification; 88% of employees have professional education. The Company's personnel educational level analysis demonstrates an annual decrease in the share of employees without professional education and an increase in the share of employees with higher vocational education.

GRI 102-16, 102-17, 406

UPHOLD EMPLOYEES' RIGHTS

IDGC of Centre follows the Labour Code of the Russian Federation and the internal regulations relating to interactions with personnel.

The Company adheres to principles of entire transparency in the HR management procedures, wage calculation and payment, employees remuneration for efficiency, social packages providing comfortable working conditions. Under the Collective Bargaining Agreement, the business relationships of the Company's employees are based on the principles of equal rights, justness, respect, voluntariness, legality, justification of responsibilities, as well as their duty and feasibility.

Under the Collective Bargaining Agreement, the business relationships of the Company's employees are based on the principles of equal rights, justness, respect, voluntariness, legality, justification of responsibilities, as well as their duty and feasibility. According to the Code of Ethics, the Company provides equal opportunities to the employees and prevents any form of discrimination by nationalities, race, gender, age, or work position. All the employees have equal opportunities for successful and effective work, professional development and career progress. While composing the staff (including management), the Company is driven by the principles of fairness and objectivity. The decisions on appointment or transfer are made only based on business qualities of the employees.

Interaction between an employee and the Company

A principle of social partnership adopted by the Company provides for a direct dialogue of the management with the work collective (regular meetings), monitoring of personnel satisfaction with the labour conditions and content, income level, compensations, and benefits.

The Company's employees can submit a claim or a proposal via a hotline, by e-mail doverie@mrsk-1.ru, using feedback on the corporate website or by other channels.

To improve the quality of handling the employees' appeals on production and economic activities, increase the level of employees awareness of the Company's activities, develop corporate culture and business ethics, senior managers of the IDGC of Centre hold personal appointments and meetings with the employees. The schedule of such events is available on the corporate website.

Employee involvement in management decision-making

Under the terms of the Collective Bargaining Agreement, the parties to social partnership jointly decide on the formulation of the following general principles for regulating social and labour relations:

- increase and improve performance and productivity;
- ensure the compliance with employment rules and work discipline, occupational health and safety and workplace hygiene requirements;
- ensure social stability across the Company.

GRI 404-2 , EU14 (ex)

TRAINING AND DEVELOPMENT

Training of the employees is regulated by the HR and Social Policy of IDGC of Centre, the Personnel Management Rules for the Russian Power Sector, and our corporate standard, Personnel Management at PJSC IDGC of Centre.

The training system is aimed at developing advanced training of personnel required for working at newly introduced facilities; mastering new technics and up-to-date technologies, and integrating scientific activities into the training process.

In 2019, 14.3 thousand people took part in off-the-job training (48.8% of the average headcount), which corresponds to the key target set out in the Company's HR and Social Policy (30%), and down 2.1 p. p. (457 people) year-on-year.

In 2019 different kinds of personnel training were arranged depending on the employees' categories, i.e. training due to expiration of certificates; training to improve knowledge for safety operations; onboarding training according to the Personnel Management Rules for the Power Sector; training based on periodicity and skills improvement for the specialities covered by the Russian Technical Supervisory Authority; as well as training for new methods of professional tasks solving.

An emphasis was placed on production personnel training on programmes Electrician of Field Service Crew; Electrician for Electricity Metering Devices; Electrician for Tests and Measurements; Electrician of Operational Switching; Rigger, etc.

The senior managers were mainly trained by the programmes linked with labour safety: Safe Operations with Hoists (rigs) and Cranes; General Rules of Industrial Safety; Permissions for Transport; Environment and Fire Safety, etc.

Special attention was given to one of the priorities - Digital Transformation of Electrical Grids. In this connection, the senior managers and the specialists of the Company's technical unit improved their skills via programme "The Basic Principles of IEC 61850 Standard. Digital Substations: Current State and Development Outlook" in the Ivanovo State Power University named after V. I. Lenin.

The specialists were trained by programmes of in-depth study on the most relevant specialities, such as Relay Protection and Emergency Control Schemes; Metrology; Automation of Electricity Metering Systems, etc.

48.8%
employees took off-the-job training

The structure of personnel who took part in off-the-job training in 2017–2019, people¹



The bulk of trainees
93.6%,
or 13,400 employees, is presented by Operational personnel

3.5 thous. people
were trained at corporate training centres

Corporate training centres

In 2019, 3,500 people (24.5% of the total number of trainees) received vocational training, retraining and advanced training at corporate training centres, that is 1.2 p. p. up year-on-year (3,200 people, or 23.3% in 2018). The most part of the employees involved in training activities at corporate training centres - 97.4% (3,400 people) - also belongs to production personnel.

The corporate training centres are the main educational institutions supporting the Company's employees training. The training centres mostly focus on dispatchers, foremen and multidisciplinary electricians.

The training centres have all required licenses for educational activities and are equipped with teaching aids, trainers, computers, video and multimedia aids. Special training sites are arranged on the territory of the centres for skill practice.

Relations with universities and colleges

IDGC of Centre actively engages the higher education institutes. As at the end of 2019, 27 cooperation agreements were signed with the universities.

In addition to the corporate training centres, our key providers of training services include:

- National Research University "Moscow Power Engineering Institute" (Smolensk branch);
- Petersburg Power Engineering Institute of Professional Development;
- Ivanovo State Power University.

The Company co-operates with the universities on the following subjects:

- target training on in-demand specialities of the Power Grid Complex;
- training, retraining, and upskilling under the continuing professional education programmes;
- organisation of production and pre-graduation practice of trainees and students, employment of graduates;
- career guidance to promote the power engineering profession and to recruit young talents into the industry;
- attraction of the Company's employees of an appropriate qualification to take part in the training;
- joint organisation and implementation of dual training;
- arrangement of student crews work at the sites of the Power Grid Complex.

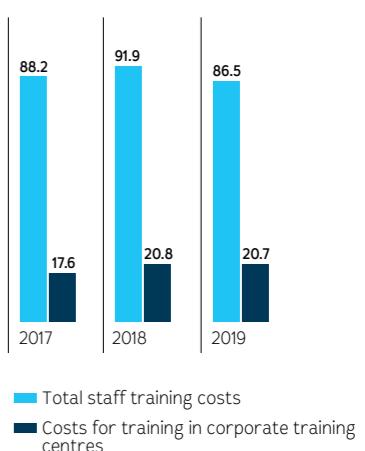
Such co-operation allows the senior managers and the specialists of the Company to improve their functional skills on a regular basis and receive further vocational education programmes on electrotechnical specialities.

GRI 401-1

As for the corporate training centres, the average number of training hours per one employee is

61 per year

Training costs of the Company's employees in 2017–2019, RUB mn

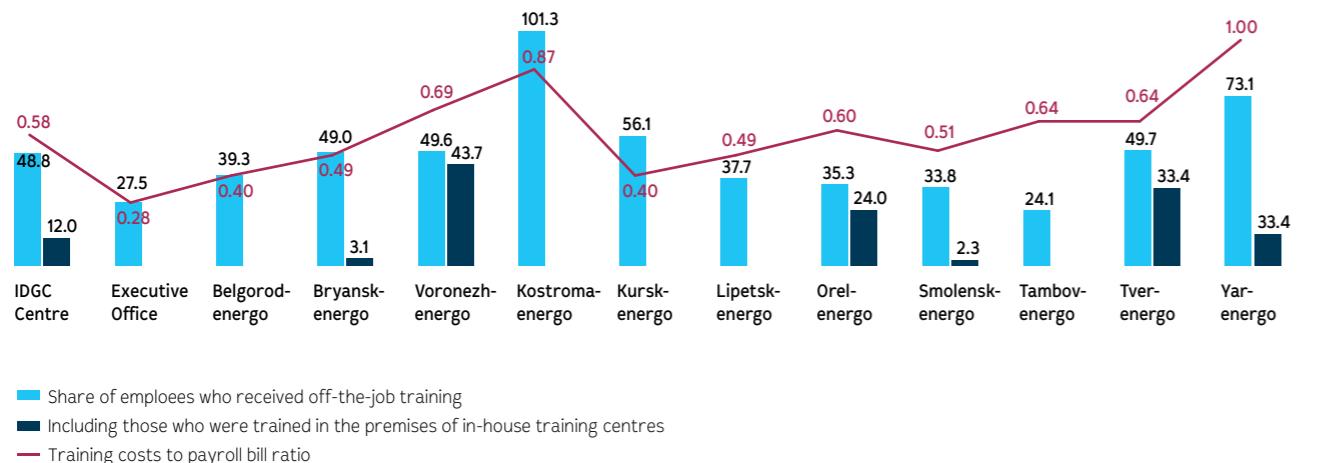


A low share of costs for corporate training is caused by differentiation of prices between the Company's employees training and training of the employees of other organisations.

In 2019, the ratio of personnel training costs to payroll was 0.58% (0.59% in 2018). The ratio is lower than specified by the HR and Social Policy of IDGC of Centre (1.5%), but the Company fully implements mandatory training according to the requirements of occupational standards.

¹ The number of employees who have undergone short-term professional training, retraining and advanced training, including on the basis of the corporate training centre and who get into a programme of professional education in universities/colleges sponsored by the Company.

Employees trained off the job and training costs to payroll ratio in the reporting year, %



A rather low share of employees trained in Tambovenergo branch is caused by the absence of corporate training centres in the region and restricted number of specialised educational organisations able to provide training in line with the Company's activity specifics.

The share of the Company's executive office personnel trained is also below the key indicator (30%), since the administrative and management staff prevails in the structure of the executive office, and the mandatory training periodicity for this category of employees is once per five years.

Mandatory training of production personnel is a primary task for the Company

Significant increase in the share of employees trained at Kostromaenergo branch is linked with mass unscheduled training on labour safety while working at height and production personnel training for participation in All-Russia Training of Rosseti's Group of Companies in the Republic of Dagestan.

TALENT POOL

Talent development includes professional education, development of professional and managerial skills and motivation of succession candidates to retain them in the organisation. The Company established management and youth talent pools (at the level of the Company and its branches) and a talent pool for the key positions.

In 2019, the management talent pool of the Company included 3,854 most promising employees. As of the end of the reporting period, 79% of existing managerial jobs were covered by the available talent pool. The youth talent pool of the Company as of the end of the reporting period included 57 employees.

In the reporting year, members of the talent pools participated in training aimed at developing managerial competencies, mastered practical management skills, while performing the duties of senior managers during their temporary absence.

WorldSkills

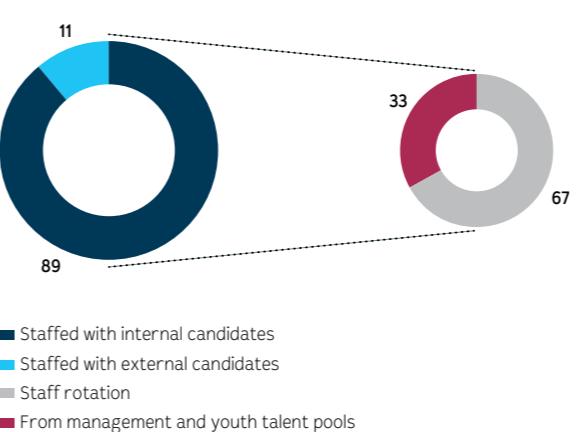
IDGC of Centre uses the international experience to improve the quality of occupational training of personnel in blue-collar jobs and to promote the vocational skills in the Power Grid Complex. Company's employees regularly take part in the WorldSkills National Championships of Cross-Industry Working Professions in High-Tech Industries. In 2019, in Yekaterinburg, the Company's representatives demonstrated their knowledge and skills in the competencies "Operation of Cable Lines", "Maintenance and Repair of Relay Protection and Automation Equipment" and "Smart Electricity Metering System".

The members of the talent pool represented the Company at the following industry events:

- International Forum of Young Power Engineers and Industrialists "Forsage 2019";
- Youth Day under the Russian Energy Week International Forum;
- project "Youth Forecast for Global Energy Development".

In May 2019, in Kazan, the representatives of the Youth Councils of the Company's branches took part in the All-Russian Forum of Working Youth.

Promotions to leadership positions in 2019, %



In 2019, there were 1,030 promotions to leadership positions across the Company's branches and in the Executive Office, 920 positions (89%) were staffed from internal candidates, 299 of them (33%) – from the management and youth talent pools.

The Company initiated an annual training course for the assessment and development of succession candidates in certain positions. Management training programmes were developed together with the coaches involved in the work, and the Company also compiled and approved a list of problematic and relevant topics, on which the succession candidates prepared and presented their projects at the final stage of the project. More than 500 people took part in the training project.

The ongoing work provides a practical focus on training students in energy specialities, their career guidance for working in the Power Grid Complex and engagement of a skilled workforce. To attract young talent, the Company traditionally holds open days on the eve of the Power Engineers' Day. Annual onboarding days are organised for young power engineers employed during the year.

YOUTH POLICY

A Youth Council is created at each of the Company's branches for efficient interaction with young employees. IDGC of Centre holds annual Corporate Young Talent Congresses.

In each region, career guidance collaboration with schools is organised for the professional orientation of students, for identifying the best-qualified students for their targeted training in educational institutions with which agreements are made.

Since 2018, IDGC of Centre has been participating in the All-Russian Olympiad for schoolchildren of PJSC Rosseti. The purpose of the event is to support talented schoolchildren, enhance their motivation for training in energy programmes and subsequent employment in the Company of the Rosseti Group. In 2019, a total of 900 students from the regions of the Company's footprint took part in the All-Russian Olympiad for schoolchildren of PJSC Rosseti.

The Company actively cooperates with higher and secondary educational institutions (27 cooperation agreements have been concluded with higher educational institutions and 45 – with secondary educational institutions). The key focus areas of cooperation when working with students are the organisation of internships, development of student construction crews, and employment of graduates in the Company's business units.

Key focus areas of work with students in 2017–2019, persons

Indicator	2017	2018	2019
Total number of student interns	1,419	1,427	1,663
Number of members of student construction crews	239	275	293
Number of students employed after the internship	169	163	107

REMUNERATION SCHEME

FINANCIAL INCENTIVES

Financial incentives offered by the Company include fixed components (base salary) and additional payments set out in the corporate documents and the Collective Bargaining Agreement.

IDGC of Centre has in place a Unified Remuneration and Reward Policy, which seeks to engage and retain the best talent. Salaries of employees vary depending on the personnel category, qualification, labour complexity and intensity, nature of work and workplace conditions.

The existing remuneration scheme implies the following:

- fixed salaries and pay rates to qualifications, business skills, experience, and worth to the Company;
- ongoing performance bonuses;
- supplementary payments and premiums for job scope and working conditions;
- ad hoc bonuses;
- seniority payments.

The Company has in place a uniform Pay Scale for blue-collar jobs and a grading system for managers and white-collar employees - the hierarchy of positions made based on the evaluation of all posts according to a system of factor groups considering the value of labour for each typical job position. The financial incentives of the employees are linked to a grading system.

The average salary of employees in the Company's branches remains competitive within its entire footprint, however, it loses the competitive advantages related to the rate of wage growth by type of activity.

The ratio of the average salary in IDGC of Centre to the average salary in the regions within the Company's footprint in 2019

Branch	The average salary in 2019, RUB	The ratio to the average salary in the regions within the Company's footprint
IDGC of Centre	42,530	–
Belgorodenergo	47,039	1.4
Bryanskenergo	37,966	1.3
Voronezhenergo	39,077	1.2
Kostromaenergo	38,281	1.2
Kurskenergo	35,481	1.1
Lipetskenergo	40,804	1.2
Orelenergo	35,966	1.2
Smolenskenergo	36,115	1.2
Tambovenergo	35,799	1.3
Tverenergo	40,013	1.2
Yarenergo	43,434	1.2

KPI System

Our framework of key performance indicators (KPIs) enables performance assessment of every business unit across the branch and encourages the employees to achieve specific performance targets set as KPIs. Every business unit has its individual KPIs reflecting its involvement in business processes and business services.

Our standard organisational structure allows to specify the KPIs common for all the branches with individual target values. Monthly reporting on the results of KPIs achievement contributes to a transparent and effective tool for the branch management to evaluate the employees' activities and take required management decisions. Regular analysis of the KPI system efficiency allows it to be updated in a timely manner.

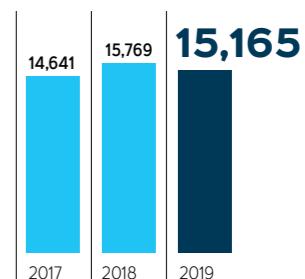
NON-FINANCIAL INCENTIVES

The non-financial incentives system covers various aspects of employees' life and has a significant influence on the effective performance of the Company.

IDGC of Centre efficiently uses the following kinds of non-financial incentives:

- employee service recognition – presentation of corporate, departmental and state awards;
- creating and maintaining a favourable psychological climate;
- communication of the Company's senior management with employees;
- arrangements for training, upskilling, career progress and personal development.

The amount of staff costs and social payments in 2017–2019, RUB mn



SOCIAL BENEFITS AND GUARANTEES

GRI 102-41

COLLECTIVE BARGAINING AGREEMENT

The Company is a member of a unified industry-wide system of social partnership based on the Industry Tariff Agreement in the Electric Power Industry. The principal document governing social and labour relation in the Company is the Collective Bargaining Agreement, which applies to all employees (coverage is 100%).

The Collective Bargaining Agreement provides for the rights and obligations of both parties regarding the establishment of working time and rest time, remuneration of labour, observance of occupational safety regulations, as well as the provision of benefits, guarantees and compensations.

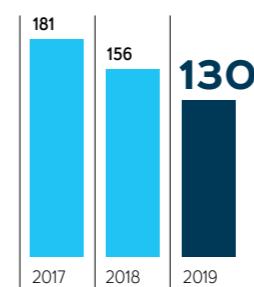
The Collective Bargaining Agreement envisages supplementary payments to the Company's employees in certain cases (birth or adoption of children, marriage, parental leaves, annual leaves, etc.). Benefits under the Collective Bargaining Agreement apply to all the employees (including full-time officials of primary trade union organisations) regardless of the status and terms of employment relations. Thus, The Company strives to provide decent employment benefits, to attract and retain the most valuable personnel.

MEDICAL INSURANCE

All employees of the Company (100% of the total headcount) are insured against accidents and diseases. The Company has in place Voluntary Medical Insurance (VMI) programmes offering a wide range of free healthcare services: dental treatment, outpatient examination, in-patient and rehabilitation treatment services. If required, the employees can also receive qualified medical assistance during hospital admission.

Seasonal vaccination of employees against influenza and tick-borne encephalitis is carried out annually.

VMI costs in 2017–2019, RUB mn



GRI 201-3

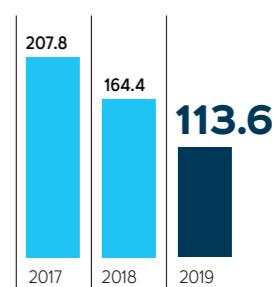
PENSION PLANS

To ensure high living standards of retired employees, additional staff motivation, as well as to recognise the special contribution of veterans and honoured workers to the Company's development, IDGC of Centre implements the Private Pension Programme. This Programme operates through JSC NPF Otkrytie and offers corporate and parity pension plans.

Pension contributions made to JSC NPF Otkrytie in 2019 amounted to RUB 113.6 mn.

During the reporting year, the entire contribution was transferred to the individual retirement accounts of employees in the framework of parity and corporate plans.

Pension contributions made to JSC NPF Otkrytie in 2017–2019, RUB mn



Assistance to Non-Working Retirees

Every branch of the Company has in place Veterans' Councils to assist poorest pensioners, as well as to organise events dedicated to holidays and anniversaries.

The Company cares about the economic stability of employees after termination of the employment contract on reaching the retirement age. Various types of financial support are provided: monthly payments to a retirement pension as a result of injury due to the employer's fault, annual payments timed to the Power Engineers' Day and the Victory Day, to the anniversary date every 10 years, in the event of a difficult

financial situation of a non-working retiree, to the family of a deceased non-working retiree.

One-off allowance is paid to retired employees.

HOUSING PROGRAMME

To help the employees to improve their housing conditions, the Company reimburses the rent paid by the employees and covers the interest payments on a mortgage loan to a credit organisation.

Key improvements in housing conditions in 2017–2019

Activities	2017		2018		2019	
	Costs, RUB mn	Employees, persons	Costs, RUB mn	Employees, persons	Costs, RUB mn	Employees, persons
Rent reimbursement (paid out of profit)	11.0	180	13.0	199	16.2	147
Reimbursement for bank loan interest (cost)	20.1	280	21.1	291	9.1	123
Total	31.1	460	34.1	490	25.3	270

TRADE UNION MOVEMENT

As part of the social partnership, IDGC of Centre directly interacts with trade unions, where the key partner is the primary trade union of IDGC of Center including relevant organisations of branches and operating in 12 regions.

The primary trade union of the Company brings together twelve trade unions (one within the executive office and eleven in branches). As at the end of 2019, the Company's trade union included 21,629 members.

Due to constructive social partnership, the parties maintain high standards of social responsibility. In the reporting year, the Company held collective negotiations, during which the parties to the social partnership discussed issues of amending the Company's Collective Bargaining Agreement and extending it for 2020–2021.

Together with the employer, the primary trade union holds various events for the Company's employees on memorable dates, amateur performances, and corporate events of the Club of the Funny and Inventive. The employees have access to sports infrastructure (swimming pools, sports areas, etc.), also training sessions and competitions are held.

In addition to the social support of employees, interaction with the trade union includes co-organising and conducting corporate events, which are fully funded by the primary trade union.

SPORTS POLICY

Our sports policy aims to improve employees' health and promote a favourable working environment.

In 2019, corporate teams of IDGC of Centre participated in:

- competitive skiing;
- the hockey tournament of PJSC Rosseti and the hockey tournament among the teams of IDGC of Centre and IDGC of Center and Volga Region;
- corporate competitions of PJSC Rosseti in table tennis, track and field and swimming;
- summer sports competition of IDGC of Centre and IDGC of Center and Volga Region;
- swimming competitions among the companies of the Fuel and Energy Sector;
- the annual Botvinnik open chess tournament;
- the All-Russian personal-team billiard tournament "Power Engineer's Cup".

The Company organised the Rossetti Cup volleyball tournament, in which 13 teams of the subsidiaries and affiliates of PJSC Rosseti took part.

HEALTH AND SAFETY

GRI 103-2

OCCUPATIONAL SAFETY

Employees' lives and health are our top priorities which are put before performance.

The Company follows the principles of the Vision Zero concept based on the seven Golden Rules:

- take leadership – demonstrate commitment;
- identify hazards – control risks;
- define targets – develop programmes;
- ensure a safe and healthy system – be well-organised;
- ensure safety and health in workplaces, when working with machines, equipment;
- improve qualifications – develop competences;
- invest in people – motivate by participation.

Health and safety issues are governed by regulatory standards:

- Occupational Injury Risk Reduction Programme of IDGC of Centre for 2018–2020;
- Guidelines on Corporate Technical Control System of IDGC of Centre;
- Occupational Safety Policy adopted by Rosseti's group of companies;
- Regulations on the Corporate Labour Protection Management System of IDGC of Centre and IDGC of Center and Volga Region.

IDGC of Centre has in place the Injury Risk Reduction Programme for 2019–2020 to prevent occupational injuries and protect the health and safety of the Company's employees.

PROTECTIVE EQUIPMENT

All personnel authorised to work at electric facilities without supervision are provided with special clothing, shoes, and other personal protective equipment, tools and accessories as specified by rules and regulations.

Most of the funds to provide sufficient number of protective equipment in 2019 were spent to purchase sets of rods for 0.4 kV–10 kV temporary grounding to avoid climbing overhead line poles, sets of special arc-rated clothing, sets of special protective clothing resistant to punctures and cuts, as well as fall protection equipment and accessories.

GRI 403-9

The Injury Risk Reduction Programme of IDGC of Centre for 2017–2020



In 2019, three occupational injuries were recorded through no fault of the Company's employees (including one fatality).

The injury frequency rate in the reporting year was 0.136¹.

All Programme activities scheduled for 2019 were completed in full.

GRI 403-6

MEDICAL EXAMINATIONS

The Company organises regular medical examinations for its personnel, and keeps a record of employees engaged in harmful and hazardous working conditions. In line with Russian labour laws and the Collective Bargaining Agreement, these categories of employees are granted additional compensation and benefits.

No employees with occupational diseases first diagnosed during their employment with the Company have been identified so far.

¹ For more details on the occupational injuries please see Appendix 3.7 to the Annual Report.

GRI 403-5

PERSONNEL TRAINING

We extensively use training centres, where our employees practice correct maintenance and repair of electrical installations.

Training is also conducted at corporate training centres and regional continuing education institutions.

Specialised personnel training is implemented and personal protective equipment is provided for clearing and widening the overhead line right-of-ways. The employees who have not passed the appropriate training and are not provided with sets of special protective clothing and personal protective equipment shall not be allowed to cutting operations.

In terms of road traffic safety, the Company conducts training in the defensive driving programme aimed at developing the contextual thinking skills and protective behaviour on the road, increasing attention, concentration, hazard recognition, and prediction of other road users' actions. In 2019, 2,400 employees of IDGC of Centre were trained in defensive driving.

GRI 403-7

SAFETY COMPLIANCE MONITORING

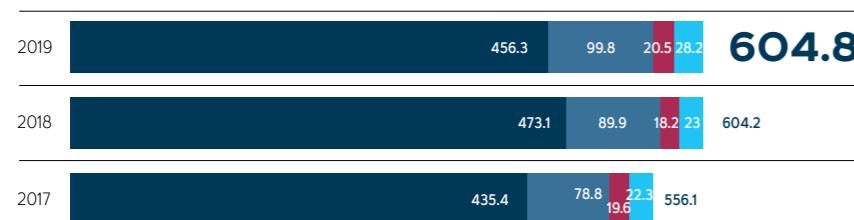
All personnel employed to work in harmful or hazardous conditions are trained in safe work methods and techniques. The employees undergo regular occupational safety training, while employees of certain categories also undertake occupational safety knowledge tests.

The Company organises regular checks of working crews across all branches for safety compliance monitoring. The Company takes measures for ensuring safe scheduled and emergency operation of electric facilities, improving the internal technical controls, and operative and process-enabled management.

The Occupational Safety Days are arranged monthly for the prevention of occupational injuries among the employees, checking the hygiene and sanitary conditions of utility facilities, fire protection conditions of buildings and structures, availability of special clothing, special shoes, and other personal protective equipment.

The total occupational health and safety costs remained the same year-on-year, with a major increase observed in the activities aimed at improving working conditions.

Occupational health and safety costs in 2017-2019, RUB mn



■ Making personal protective equipment available
■ Overall workplace improvements
■ Accident prevention

IDGC of Centre has a total of

257
regional training
centres,

18
common training
centres

5.6 thousand
classes

were held in 2019,
the total number of the Company's
employees trained amounted to

56,000

2.4
thousand employees
of the Centre received safe driving
skills in 2019

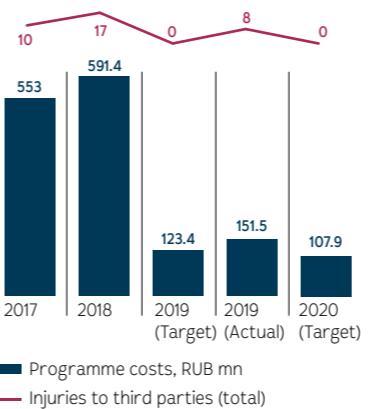
100%
of employees
are trained in safe working
methods and techniques

THIRD-PARTY SAFETY

EU18, EU25

The power grid facilities of IDGC of Centre are ultra-hazardous as related to electricity.

Programmes to reduce
the risk of injuries to third parties
at the facilities of IDGC of Centre
in 2017-2020



The escalation of costs in 2017-2018 is attributable to higher costs for bringing the electrical installations being in the unsatisfactory or inoperable condition in compliance with the regulatory requirements. In 2019, those activities were transferred to the Company's Repair Programme, which resulted in lower actual costs for the Programme.

2.7 thousand
measures
to prevent child electrical injuries
were held in 2019

54.6 thousand
children
and teenagers
took part in these measures
in 2019

The Injury Risk Reduction Programme for 2019-2020 to reduce injuries to third parties at facilities of IDGC of Centre includes the following initiatives:

- assessment of the technical condition of electrical installations and ensuring their compliance with the safe operation requirements;
- information support to prevent electrical injuries;
- cooperation with authorities, control and supervisory bodies, law enforcement, and security agencies, and public relations (also with vacationists, gardeners, and fishermen);
- prevention of electric injuries among children and teenagers;
- prevention of electric injuries among the third-party and contractor employees, including owners and drivers of heavy and special lifting vehicles;
- prevention of equipment and material stealing from power grid facilities;
- prevention of electric injuries in case of unauthorised power grid connection.

In 2019, the following measures were taken:

- Non-insulated wires of taps to incoming lines in residential houses were replaced with self-supporting insulated wires (SIW), and non-insulated wires of 0.4-10 kV overhead lines were replaced with insulated wires or SIW in populated areas. The costs amounted to RUB 146,200;
- The lists of highly hazardous overhead line sections were updated with regards to the risk of electric shock. Information boards, stands, and signs warning of electric shock hazards were arranged in the designated areas;
- The following measures were taken as related to the information support for prevention of electric injuries:
 - informational materials were released to the media. Printed products were distributed in gardeners' partnerships;
 - information boards were arranged at the intersections of power lines with water bodies;
 - printed products on safety measures during the load handling operations in the buffer areas of power transmission lines. For that purpose RUB 59.7 thousand were spent in 2019;
 - information sheets were distributed among the residents of the private sector;
- The relocation of overhead lines and transformer substations away from the kindergartens and educational institutions was continued. In 2019, such measures were taken on the territory of 20 schools, pre-school facilities, technical vocational schools, orphanages, play and sports grounds, as well as health camps. The Company's costs totalled over RUB 154.7 thousand;
- A total of 2,700 special events were held together with regional and local authorities, and industry-specific agencies. Over 54,600 children and teenagers participated in those activities;
- An important part of preventive measures are classes on electrical safety held over the year in all Company's branches in the form of special out-of-class activities at schools and training lessons for senior preschool children in kindergartens.

EMERGENCY PREPAREDNESS

EU21(ex)

Mitigation of natural disasters and elimination of power supply interruptions are the most important issues both for end consumers of power and the Company itself.

The Company's branches have:

- own assets of IDGC of Centre: 1,700 crews, 7,700 people, 2,500 vehicles, including 92 mobile crews comprising 510 people and 164 vehicles, 658 reserve sources of power supply with a total capacity of 29,000 kW;
- assets of contractors: 872 crews comprising 4,700 people, 2,200 vehicles.

In 2019, the Tverenergo branch (including Yarenergo) had two events of mass emergency outages in the main 0.4–10 kV distribution grid in response to a rapid deterioration in weather conditions.

ENSURING ANTI-TERRORISM SECURITY OF POWER GRID COMPLEX FACILITIES

The Company pursues the Target Programme for Improving Anti-Terrorism and Anti-Sabotage Security of Facilities of IDGC of Centre for 2019–2020.

In the reporting year, physical security of the facilities of IDGC of Centre was maintained by seven security companies. No property thefts were reported at the secured facilities.

The buildings of substations with indoor switchgears and substation control houses are equipped with alarm systems connected to GCCs of branches, thus reducing the theft of vacuum circuit breakers by 60% year-on-year.

Work continued on fitting the substations with technical security equipment: in 2019, the costs totalled RUB 182 mn, twice as much as in 2018 (RUB 96 mn).

More than 500 team-work training sessions were conducted to counter acts of unlawful interference in the technological processes of electricity transmission, including 96 trainings in conjunction with the territorial divisions of the Federal National Guard Troops Service and the EMERCOM of Russia.

The consequences of faults were addressed through emergency restoration activities; crews, equipment and reserve sources of power supply of the Tverenergo branch were relocated; the assets of other branches of IDGC of Centre and IDGC of Center and Volga Region were involved (87 crews, 546 people, 98 vehicles and 24 reserve sources of power supply).

With the Digital Transformation Programme, the Company's technical personnel was able to identify and eliminate defects at early stages before their developing into a fault.

The Digital Transformation Programme also contributed to information security through:

- sustainable functioning of the Company's information infrastructure;
- categorising of the critical information infrastructure objects;
- ensuring restricted information security;
- expanding the Zecurion 9 data leak prevention system for the corporate data exchange network.

ENERGY SAVING AND ENHANCED ENERGY EFFICIENCY

Energy saving and enhanced energy efficiency measures taken by IDGC of Centre are aligned with:

- Federal Law No. 261-FZ On Energy Saving and Enhanced Energy Efficiency, as Well as Amendments to Certain Legislative Acts of the Russian Federation;
- Orders of the Ministry of Energy of Russia;
- Regulation on drafting Energy Saving and Enhanced Energy Efficiency Programmes of subsidiaries and affiliates of PJSC Rosseti;
- Energy Saving and Enhanced Energy Efficiency Programme of IDGC of Centre for 2017–2022.

ENERGY MANAGEMENT SYSTEM

The Energy Management System available at IDGC of Centre is consistent with GOST R ISO 50001–2012 national standard.

In 2016, the System was certified against ISO 50001:2011 international standard. In 2019, the current Energy Management System was recertified. Twenty eight (28) employees of IDGC of Centre received upskilling as related to ensuring compliance with Energy Management System standard ISO 50001:2018.

THE COMPANY'S ENERGY POLICY

In 2019, the Energy Policy of IDGC of Centre was approved in line with the pattern and scope of power consumption in the Company and with the key areas of its development. This Policy aims to improve the output performance, ensure compliance with the applicable requirements, and continuously enhance the Energy Management System efficiency.

Energy saving and energy efficiency programme

The key performance indicators of Energy Saving and Enhanced Energy Efficiency Programme are as follows:

- electricity transmission and distribution losses;
- consumption of energy resources for business needs;
- use of energy-efficient LED-based lighting facilities.

The programme comprises sections, targeted and related measures. The targeted measures are activities which, if implemented, can reduce energy and water consumption by at least 15% of annual consumption of the corresponding resource. The return on investment is 80% within 5 years regarding energy and water consumption for production and business needs, and 10 years maximum for activities that ensure loss reduction during electricity transmission and distribution.

At the year-end 2019, the effect of the programme amounted to a total of 4,812 TFOE, or RUB 92.0 mn, including subprogrammes:

- organisational measures: 3 104 TFOE, or RUB 64.0 mn;
- technical measures: 1,028 TFOE, or RUB 20.9 mn;
- measures to reduce the consumption of fuel and energy resources for household needs: 631 TFOE, or RUB 5.5 mn;
- measures to reduce motor fuel consumption: 49 TFOE, or RUB 1.6 mn.

Effect from energy saving and energy efficiency measures

In 2019, the technological outcome of electricity loss reduction measures across the Company amounted to 34.4 mn kWh, while the financial effect was RUB 84.9 mn.

Key targeted measures providing a decline in the resource consumption for business needs included replacement of light fixtures with energy saving ones, heat insulation and sealing of buildings (window replacement, heat insulation of rooves, attics, and walls, replacement and heat insulation of doors).

By the end of 2019, the implementation of targeted measures to reduce the resource consumption for business needs across the Company allowed saving of 631 TFOE worth a total of RUB 5.5 mn vs the target of 281 TFOE amounting to RUB 2 mn.

In this case, the share of technical measures totalled 58% (RUB 3.4 mn, or 366 TFOE). The major savings were achieved through replacement of light fixtures with energy saving LED-based ones – 108 TFOE, heat insulation and sealing of buildings – 41 TFOE, reduction of the heating load in buildings or premises in non-working periods – 76 TFOE.

Core activities for the reduction of the motor fuel and electricity consumption by motor vehicles and special-purpose vehicles comprised the dispatching via

GRI 302-4, 302-1

Key performance indicators of Energy Saving and Enhanced Energy Efficiency Programme in 2018–2019

Indicator	2018	2019
Electricity losses (share of total electricity delivery to the grid), %	10.6	10.2
Consumption for own needs of substations (share of electricity losses), %	1.8	1.7
Total consumption of energy resources for housekeeping needs of administrative and industrial buildings, thous. TFOE	50.4	21.1
• electric energy	41.6	13.3
• heat energy (building heating systems)	7.1	6.3
• natural gas (including liquified)	1.7	1.6
Total consumption of natural resources for housekeeping needs of administrative and industrial buildings, thousand m ³	220.8	191.6
• hot water supply	12.2	10.7
• cold water supply	208.6	181.0
Total motor fuel consumption by motor vehicles and special vehicles, thous. TFOE	30.6	27.6
Gasoline	18.0	15.8
• by motor vehicles	12.0	10.4
• by special vehicles	6.0	5.3
Diesel fuel	12.6	11.8
• by motor vehicles	6.7	6.2
• by special vehicles	5.9	5.6
Use of energy-efficient LED-based lighting facilities, %	35.8	53.2
The number of lighting facilities used	121,554	123,242
• with energy-saving lamps (without LED)	11,457	40,382
• with LEDs	43,568	65,553
Availability of advanced electricity meters on the retail market, %	91.8	91.8

The Company did not use any other types of energy, except for those included in the table (nuclear energy, electromagnetic energy, crude oil, fuel oil, coal, oil shale, peat, etc.).

the SAP module, installation of GPS GLONASS sensors, tachographs (5,800 litres), strict monitoring of petrol, oil, and lubricants consumption, approval of traffic routes (34,400 litres), use of fuel cards to pay for motor fuel (3,000 litres).

In 2019, savings from the Programme for motor fuel consumption reduction amounted to RUB 1.6 mn, or 43,200 litres.

Effect from electricity loss reduction measures in 2019:

34.4 mn kWh
technological effect

84.9 RUB mn
financial effect

ENVIRONMENTAL POLICY

GRI 103-2

Power grid facilities of IDGC of Centre (power lines, transformer substations, switchgears, etc.) are not sources of severe environmental pollution. The levels of electromagnetic fields and noise level generated by electric grids, transformer substations are generally significantly lower than permissible levels, which is confirmed by the results of instrumental measurements taken during the production control.

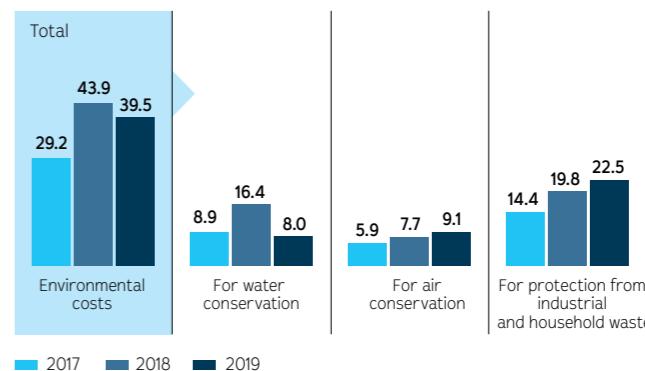
IDGC of Centre implements the Environment Policy of the Power Grid Complex focused on the consistent limitation of the environmental impact of fuel and energy facilities by reducing pollutant emissions (discharges) into the environment and reducing the generated production and consumption waste.

In 2019, environmental protection measures taken by the Company were aligned with the Environmental Security Programme for 2019–2023.

Pollutant emissions to the atmosphere decreased by 11.6%

Water consumption reduced by 7.1%

Environmental costs in 2017–2019, RUB mn



GRI 307

IDGC of Centre's operations in 2019 were in line with environmental legislation. There were no penalties imposed by supervisory authorities or any non-compliance with orders.

According to the environmental and energy efficiency rating published by Interfax ERA agency in 2019, IDGC of Centre entered the top-50 of the ranking, taking the 45th position among 150 largest companies of Russia and Kazakhstan.

The environmental costs in 2019 decreased by 16.9% year-on-year. This was mainly driven by the construction and installation of storm waste water treatment facilities with a capacity of 6 m³/h in 2018 in the Yarenergo branch, worth of RUB 8 mn.

The costs do not include expenses for training (upskilling) of management and employees responsible for environmental protection issues, purchase of bird diverters, and payments for negative environmental impact.

Key areas of environmental policy and its results in 2017-2019

Environmental policy areas	Objectives	Objectives	Objectives	Indicator value			Costs, RUB mn		
				2017	2018	2019	2017	2018	2019
Air protection	Reduction of pollutant emissions to the atmosphere, mitigation of the impact of production facilities on the atmosphere	<ul style="list-style-type: none"> Monitoring of compliance with standards for pollutant emissions. Monitoring of Cyclone gas cleaning unit efficiency. Monitoring of air in the affected area of facilities. Inventory of emission sources and pollutant emissions to the atmosphere (in 2019 – 30 facilities, in 2018 – 46 facilities). <p>This resulted in emission reduction by 11.6%</p>	Gross pollutant emissions into the atmosphere, tonnes	157.8	132.2	116.8	5.9	7.7	9.1
GRI 303-1 Water protection and sustainable use	Water body protection and sustainable water consumption	<ul style="list-style-type: none"> Monitoring of water taken from underground sources. Conclusion of agreements on arranging car-washing installations. <p>This resulted in water consumption reduction by 7.1%</p>	Water withdrawal and production, thousand m ³	209.7	201.5	187.2	8.9	16.4	8.0
Waste management	Environmental impact mitigation	<ul style="list-style-type: none"> Purchase of 82 containers, 28 demercurisation kits. Arrangement of 77 waste accumulation sites. Industrial and consumer waste transfer to waste management contractors for processing, disposal, and landfill. Decommissioning and deactivation of 2,790 containers with PCB-containing capacitors (890 containers in 2018) 	Industrial and consumer waste, thousand tonnes	19.0	20.5	7.0	14.4	19.8	22.5
Technical measures under the environmental policy	Reduction of risks of soil contamination by petroleum products	<ul style="list-style-type: none"> Replacement of oil circuit breakers with vacuum or SF6 ones 	Oil circuit breakers replaced	66	181	71	According to the investment and repair programmes		
	Air contamination protection	<ul style="list-style-type: none"> Replacement of old vehicles with vehicles compliant with European emission standards 	Old vehicles replaced	387	403	241			
	Reduction of the cutting area, prevention of bird kill in overhead lines	<ul style="list-style-type: none"> Fitting of overhead power lines (0.4 kV–10 kV) with insulated wires 	Use of insulated wires, thousand km	2.2	1.8	2.6			
Animal protection measures	Protection of birds against electric shock	<ul style="list-style-type: none"> Fitting of overhead lines with special bird diverters 	Bird diverters purchased	4,732	6,835	7,925	3.7	3.4	1.8

GRI 303-4

The volume of discharged water in 2017-2019, indicating the sources, thousand m³

Indicator	2017	2018	2019
Water disposal to surface water bodies			
Wastewater from other water disposal systems	1.4	1.4	1.4
Transfer to third party organisations			
Wastewater discharged into the municipal sewage system (after use)	175.2	165.4	147.7
Total	176.6	166.8	149.1

GRI 303-3

Breakdown of the total volume of water taken in 2017–2019 by sources, thousand m³

Indicator	2017	2018	2019
Water withdrawal and production	209.7	201.5	187.2
• from surface sources	0.0	0.0	0.0
• from underground sources	7.1	10.1	6.7
• from other sources	202.6	191.4	180.5
Water use	209.7	201.5	187.2
• for service and drinking needs	203.5	195.6	181.2
• for production needs	6.1	5.9	6.0
Water disposal to surface water bodies	1.4	1.4	1.4
• contaminated (without treatment) water	0.0	0.0	0.0
• contaminated (insufficiently treated) water	1.4	1.4	1.4

GRI 306-2

Breakdown of total wastes in 2017–2019 by class, tonnes

Indicator	2017	2018	2019
Generated wastes	18,967.4	20,468.1	7,046.8¹
• Class I wastes	26.6	42.5	73.6
• Class II wastes	41.1	39.4	26.2
• Class III wastes	121.9	106.2	126.4
• Class IV wastes	3,696.6	3,825.4	4,111.4
• Class V wastes	15,081.2	16,454.6	2,709.2
Processed wastes	3,167.9	2,202.9	2,471.1
• using own resources	0.0	0.0	0.0
• by third parties	3,167.9	2,202.9	2,471.1

GRI 305-1

Gross greenhouse gas emissions into the atmosphere in 2017–2019, tonnes of CO₂-equivalent

Indicator	2017	2018	2019
Sulphur hexafluoride (SF6) ²	4,176.1	4,308.1	4,423.2

GRI 305-7

Gross emissions of some pollutants into the air in 2017–2019, tonnes

Indicators	2017	2018	2019
Solid substances	12.2	9.9	9.0
Sulphur dioxide	0.5	1.1	0.4
Carbon oxide	74.3	64.2	60.6
Nitrogen oxides (expressed as NO ₂)	6.2	5.3	5.1
Hydrocarbons (without volatile organic compounds)	0.8	0.8	0.8

¹ Waste reduction in 2019 was driven by the decrease of class V waste generation (including limbing, topping, and other logging wastes) due to the application of green waste mulching method during the right-of-ways tree clearing, as well as due to cancelling the wastes generation and disposal limits and transitioning to the actual waste generation values.² The data are based on the specified SF6 leak limits.

BIOLOGICAL DIVERSITY CONSERVATION

In 2019, the branches of the Company continued with animal protection activities within the scope of production operations. Cable glands, intercellular cable ways and inspection windows in high-voltage compartments of switchgear cells are continuously monitored to prevent entry of probable animals.

Technical measures taken under the Power Grid Complex reconstruction and upgrading, for example, insulation of current-carrying parts of the substation bus system, utilisation of self-supporting insulated wires (SIW), also contribute to the reduction of risks of bird killing during the power facilities operation. In 2019, the length of 0.4-35 kV overhead lines equipped with SIW increased by 2,600 km making it possible to improve the reliability, reduce the number of cut-down trees at the right-of-ways, and prevent the death of birds on overhead lines.

IDGC of Centre provides the overhead lines with special bird diverters made of dielectric polymer weather-resistant materials. Bird diverters of different design are intended to insulate current-carrying parts, make it difficult for the birds to sit on traverses, prevent building nests on supports and poles. The Company purchased and installed 7,900 bird diverters on 6-110 kV overhead lines in 2019.

The Company pays special attention to environmental protection and forest restoration issues within its footprint. Under the environmental initiatives, the Company's employees took an active part in activities aimed at restoration of natural balance, tree planting, landscaping of cities, and improvement of territories around the business units. Branches of IDGC of Centre hold the annual Green Distribution Zone competition in site improvement and landscaping.

2,600 km

increase in the length of 0.4-35 kV overhead lines equipped with SIW in 2019

7,900

bird diverters purchased and installed in 2019

GRI 304-1, G4-EN12

PROTECTED NATURAL AREAS

The service area of IDGC of Centre comprises specially protected natural territories: 19 areas of federal significance and 1,712 areas of the regional significance. But production sites (regions of power grids (RPG) and substations) owned, leased, or managed by the organisation are not arranged on these territories.

Transformer substations and overhead lines are installed on some specially protected natural territories but have no adverse environmental impact. Technical measures taken as part of the Power Grid Complex reconstruction and upgrading, in particular, utilisation of SIW, result in mitigation of the risk of animals' death during power facilities operation. Moreover, the Company equips overhead lines with special bird diverters (see the Biological Diversity Conservation subsection).

PROCUREMENT ACTIVITIES

Procurement activities of IDGC of Centre in 2019 were aligned with the Uniform Procurement Standard of PJSC Rosseti approved by the Company's Board of Directors¹. The Standard incorporates provisions of Federal Law No. 223-FZ On Procurement of Goods, Work, and Services by Certain Types of Legal Entities dated 18 July 2012².

The local purchases in 2019 stood at 18.8%

The Company relies on the following procurement principles:

- procurement transparency;
- equality, fairness, absence of discrimination and unreasonable competition restrictions against the procurement participants;
- appropriate and efficient expenditure of monetary assets for acquiring the goods, works, services, and compliance with measures to reduce the customer costs;
- absence of non-measurable requirements to the procurement participants;
- transparency and management of procurement activities;
- professionalism and competence of employees involved in procurement activities of customers;
- compliance with the applicable laws.

SUPPORT OF RENEWABLE ENERGY SOURCES

IDGC of Centre has been fully cooperating with the generating companies that have already switched over to renewable energy sources or are planning to do so.

The organisations connected to IDGC of Centre's grids dealing with sales of electricity produced at qualified generating facilities using renewable energy sources

Branch	Organisation	Renewable energy source facility	Electricity delivered to the branch's grid, thous. kWh		
			2017	2018	2019
Belgorodenergo	LLC AltEnergo	"Luchki" biogas station	19,254.1	22,128.9	22,672.0
	LLC AltEnergo	Wind power generators, Krapivenskiye Dvory	5.0	2.4	2.8
	LLC AltEnergo	Sollar arrays, Krapivenskiye Dvory	80.5	77.7	64.6
	LLC Regional Energy Company	"Baytsury" biogas station and feedlot	0.0	1.8	3.4
Orelenergo	LLC Lykovskaya HPP	Lykovskaya HPP	5,724.2	6,928.6	5,789.1
Tverenergo	FSBI Moscow Canal	Novotveretskaya HPP ¹	3,415.7	5,067.6	5,876.7
Yarenergo	PJSC RusHydro	Horobrovskaya SHPP ¹	866.2	783.5	390.6
Total			29,345.7	34,990.5	34,799.2

¹ Unqualified facilities.

² Minutes of the meeting of the Board of Directors of IDGC of Centre No. 44/18 dated 25 December 2018.
For more details on the procurement procedures please see Appendix No. 3.13 to the Annual Report.

CHARITY

The Company uses the approved Regulations on the Formation and Use of the Sponsorship and Charity Fund to define the goals, application and financing procedures, and sources of funding for IDGC of Centre's charitable and sponsorship activities.

Key charities:

- social support and protection of citizens, as well as improving the financial standing of low-income groups, social rehabilitation of orphaned children, children deprived

of parental care, neglected children, and children living in difficult circumstances;

- promoting cultural activities, arts, education, and spiritual development.

In 2019, donations to the charity totalled RUB 17 mn.

GRI 102-40, 102-43, 102-53

STAKEHOLDER RELATIONS

Being committed to the principles of information openness and availability, IDGC of Centre aims to ensure a high level of transparency of its activities and maintains active communication with all stakeholders, timely providing them with necessary information on all aspects of the Company's activities. Public relations enhance the Company's investment appeal and business reputation. The Communication Policy of IDGC of Centre is closely aligned with the Uniform Communication Policy of Rosseti's group of companies. Any questions and feedback from stakeholders regarding the information disclosed in this report can be sent to naumova.yd@mrsk-1.ru.

PUBLIC AUTHORITIES

IDGC of Centre signed agreements with the Kursk, Lipetsk, and Orel Regions aimed at the long-term development of the Power Grid Complex of these regions: ensuring sustainable socio-economic growth of territories and stipulating the conditions for the provision of electricity transmission services.

IDGC of Centre and the Government of the Yaroslavl Region initiated an agreement on cooperation in Power Grid Complex development in the region. This agreement defines the cooperation for improving the quality and reliability of energy supply in the region and ensuring the grid connection of new consumers.

INVESTOR COMMUNITY

IDGC of Centre's management held a meeting with investors as part of the Renaissance Capital's 23rd Annual Russian Investor Conference. During the meeting, the Company summed up its financial and operational results for 2018 and Q1 2019 and presented projections for the business plan on net electricity delivery, revenue, and financial results in 2019.

Igor Makovskiy, General Director IDGC of Centre, held a press conference in the TASS news agency. Igor Makovskiy summarised the Company's performance results in 2019, highlighted the key projects for the foreseeable future, and also announced the first preliminary results of the digital transformation of the Power Grid Complex.

CUSTOMERS AND COUNTERPARTIES

Customers, counterparties, and other stakeholders may submit a complaint or a proposal to the Company.

Appeals can be submitted via a compliance hotline, e-mail, using a feedback form on the corporate website, or via other channels. This service is available 24/7 and ensures the reception of complaints on all issues related to grid connections, as well as complaints related to wrongful actions or omissions of employees, including corrupt practices.

Customers in 11 regions within the Company's footprint also have the opportunity to contact the toll-free hotline. Communication between an operator and a customer is based on the principles of mutual trust and confidentiality: the content of the conversation is not made public. The views expressed by a subscriber are not condemned and not criticised, creating comfortable conditions for a conversation and finding an effective solution to a problem. With the hotline, power engineers can promptly respond to customer complaints, thereby improving the quality of customer service.

REGIONS AND LOCAL COMMUNITIES

Grid connection of major socially important infrastructure applicants

Due to fulfilment of its obligations on timely grid connection of the large industrial, residential, and social facilities, small and medium-sized business facilities, IDGC of Centre makes a substantial contribution to ensuring social and economic stability in the constituent entities of the Russian Federation, facilitating the creation of new jobs in the Central Federal district and implementation of effective housing policy.

Last year, several enterprises and production sites which are important for the social and economic development of the regions of the Company's activity were connected to the power grids.

Major socially important facilities connected in 2019

Region	Facility
Belgorod	Laboratory equipment, microelectronics of a fruit storage, LLC "Gardens of Belogorye"
	Laboratory equipment of production sites of JSC VEROPHARM
Bryansk	Health centre and summer camp of the Directorate of Social Sphere of Russian Railways in Sinezerki settlement of Navlinsky District
	Building extension for 500 people for Municipal Budgetary General Education Institution General Secondary School in Novye Darkovichi, Bryansky district
Voronezh	Kindergarten No. 1 for 70 children, Municipal Public Pre-school Educational Institution "Maninsky kindergarten No.1"
	Poultry Farm of LLC Tretyakovskiy Butter Plant
Kostroma	Building of the Regional State Funded Healthcare Facility "Kostroma Oncology Centre"
Kursk	Health and fitness centre of LLC Gazprom invest-gasification
	Cattle-raising facilities of Miratorg Agribusiness Holding
Lipetsk	JSC Lebedyansky Sugar Plant in Sakharny Zavod, Lebedyansky District
	General Secondary School for 800 students with a swimming pool in Usman
Orel	Grain conditioning and storage base, LLC Orelagroprom
	Pedigree breeding unit No. 7 of JSC Znamensky Genetic Selection Centre
Smolensk	Electrical equipment and lighting for the production premise of JSC Hlebprom
	Construction facilities, lighting and electrical equipment for the refrigeration complex of LLC Gorodnyanskiye Sady
Tambov	School for 1,275 students in Michurinsk
Tver	Defence enterprises of JSC Kometa Corporation in Vyshny Volochev
	Polypropylene film production lines of LLC Kamenka in Kuvшиново
Yaroslavl	Pre-school Educational Institution of the Agency for Construction in Yaroslavl
	Health and fitness centre of LLC Gazprom invest-gasification
	Dairy Product Plant LLC Yarmolprod

GRI 203-1

Stylised poles of power transmission lines

Integrating grid facilities in the urban environment is part of the digital transformation concept of Rosseti's group of companies.

IDGC of Centre operates in the regions that have done much for establishing and strengthening the country and continue to contribute meaningfully to its development. The project mission is to visualise the key symbols and biggest events in the grid facilities and emphasise the unparalleled architectural look of cities in Central Russia. The Company has been implementing projects in close cooperation with members of the public, architects, and urban specialists.

In 2019, IDGC of Centre installed stylised poles of power transmission lines conceived as symbols of the cities where they were located.

Stylised poles – Coat of Arms of Belgorod

Belgorod was a pioneer of this initiative. A unique power transmission line pole made as the coat of arms of the regional centre was commissioned. An anchor pole was installed instead of an intermediate pole on the artificial peninsula in the Vezelka river bed. It was installed as part of the reconstruction of the "Frunzenskaya – Zapadnaya No. 2" 110 kV overhead line section and the "Zapadnaya – Avtoremzavod" 110 kV overhead line.

"Mayak" stylised pole

The second stylised pole, "Mayak", was installed on the shore of Voronezh storage reservoir. The pole is a bright-red power transmission tower reminding that Voronezh is the cradle of the Russian Navy. A handwheel is mounted at the base of the pole for controlling a video camera installed on "Mayak" tower. The image from the camera is transmitted to the handwheel touch screen providing a panorama view of the city with detailed zooming.



07

APPENDICES

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

		Codes
	Form under ARCMD	0710001
	Date (day, month, year)	31.12.2019
Company: Interregional Distribution Grid Company of Centre, Public Joint-Stock Company	under ARCBO	75720657
Identification tax payer number	TIN	6901067107
Type of economic: Electric power transmission	under ADCEA	35.12
Business legal structure/Form of ownership: Public Joint Stock Companies/Hybrid	under ARCFI\ARCFO	12247/41
Measurement unit: thousand RUB	under ARCM	384
Location (address): 15 Malaya Ordynka St., Moscow, 119017		
Accounting statements are subject to mandatory audit: YES		
Name of the auditing firm/surname, name, patronymic (if any) of the individual auditor: Limited liability company Ernst & Young		
Taxpayer identification number of the auditing firm/individual auditor	TIN	7709383932
Primary state registration number of the auditing firm/individual auditor	PSRN / OGRNIP	1027739707203

Notes	Indicator	Line code	As at 31 December 2019	As at 31 December 2018	As at 31 December 2017
			(1)	(2)	(3)
ASSETS					
I. NON-CURRENT ASSETS					
5.1.1-5.2.2.	Intangible assets	1110	102,496	109,847	46,622
5.2.2.	including pending transactions to acquire intangible assets	1111	-	-	-
5.2.1-5.2.2.	R&D results	1120	94,020	60,963	89,397
5.2.2.	including expenses for R&D in progress	1121	84,135	35,516	21,255
	Intangible exploratory assets	1130	-	-	-
	Tangible exploratory assets	1140	-	-	-
5.3.1-5.3.6.	Fixed assets	1150	101,191,027	101,460,901	99,672,180
	land plots and environmental facilities	1151	291,671	251,590	291,671
	buildings, machinery and equipment, constructions	1152	93,955,352	93,970,166	92,684,212
	other types of fixed assets	1153	3,089,683	3,258,176	2,751,666
5.3.5.	construction in progress	1154	2,988,777	3,152,535	3,391,575
5.3.6.	advances made for capital construction and acquisition of fixed assets	1155	193,832	209,012	35,107
	raw materials for use in the creation of fixed assets	1156	671,712	579,422	517,949
5.3.1.	Profitable investments in tangible assets	1160	-	-	-
5.4.1-5.4.3.	Financial investments	1170	1,756,511	207,255	205,300
	investments in subsidiaries	1171	15,355	15,355	15,355
	investments in affiliates	1172	-	-	-
	investments in other companies	1173	207,257	191,900	189,945
	loans granted to companies for more than 12 months period	1174	1,533,899	-	-
	financial investments	1175	-	-	-
5.7.2.	Deferred tax assets	1180	1,819,295	1,379,125	1,200,078
	Other non-current assets	1190	2,356,491	2,398,571	1,981,363
	TOTAL for section I	1100	107,319,840	105,616,662	103,194,940

Notes	Indicator	Line code	As at 31 December 2019	As at 31 December 2018	As at 31 December 2017
			(1)	(2)	(3)
II. CURRENT ASSETS					
5.5.1-5.5.2.					
	Supplies	1210	2,312,868	2,717,892	2,112,386
	raw material, materials and other analogous values	1211	2,310,080	2,512,897	2,112,386
	construction in progress costs	1212	2,788	204,995	-
	finished products and goods for resale	1213	-	-	-
	shipped goods	1214	-	-	-
	other supplies and expenses	1215	-	-	-
	Value added tax according to purchased valuables	1220	17,695	9,372	8,475
5.6.1-5.6.4.					
	Accounts receivable	1230	13,060,961	12,873,143	12,361,739
	Payments on which are expected more than 12 months after accounting date	1231	187,859	666,755	1,111,849
	buyers and customers	123101	31,937	417,928	907,221
	bills receivable	123102	-	-	-
	advances made	123103	2,527	9,813	3,276
	other accounts receivable	123104	153,395	239,014	201,352
	Payments on which are expected within 12 months after accounting date	1232	12,873,102	12,206,388	11,249,890
	buyers and customers	123201	12,197,733	11,198,197	10,270,268
	bills receivable	123202	-	-	-
	debts of subsidiaries and affiliates on dividends	123203	-	-	-
	debts of participants (founders) according to contributions in the authorised capital	123204	-	-	-
	advances made	123205	178,305	121,916	127,725
	other accounts receivable	123206	497,064	886,275	851,897
5.4.1-5.4.3.					
	Financial investments (excluding money equivalents)	1240	-	-	-
	loans granted to organisations for less than 12 months period	1241	-	-	-
	other short-term financial investments	1242	-	-	-
Φ.4					
	Monetary funds and money equivalents	1250	1,015,905	786,262	1,358,698
	cashier's desk	1251	-	-	-
	settlement accounts	1252	962,122	751,199	1,342,775
	foreign exchange accounts	1253	-	-	-
	other monetary funds	1254	53,783	35,063	15,923
	Other currents assets	1260	535,978	532,774	629,811
	TOTAL for section II	1200	16,943,407	16,919,443	16,471,109
BALANCE					
LIABILITIES					
III. EQUITY AND RESERVES					
3.1.					
	Share capital (joint-stock capital, authorised capital, limited partner contributions)	1310	4,221,794	4,221,794	4,221,794
	Equity (prior to registered changes)	1311	-	-	-
	Own shares repurchased from shareholders	1320	-	-	-
5.3.1., 5.1.1.					
	Revaluation of non-current assets	1340	-	-	-
	Additional capital (without revaluation)	1350	33,269,936	33,269,936	33,269,936
	Reserve capital	1360	211,090	211,090	211,090

Notes	Indicator	Line code	As at 31 December 2019	As at 31 December 2018	As at 31 December 2017
			(1)	(2)	(3)
3.1.	Retained earnings (uncovered losses) of previous years of the reporting period including interim dividends	1370	19,224,746	20,728,118	20,194,226
		1371	19,857,164	19,322,746	18,162,837
		1372	(632,418)	1,405,372	2,031,389
			(847,099)	-	-
	TOTAL for section III	1300	56,927,566	58,430,938	57,897,046
	IV. LONG-TERM LIABILITIES				
5.6.7–5.6.8.	Loans and credits bank credits subject to payment more than within 12 months after the reporting date loans subject to payment more than within 12 months after the reporting date	1410	36,533,899	29,085,000	34,000,000
		1411	26,533,899	24,085,000	24,000,000
		1412	10,000,000	5,000,000	10,000,000
5.7.2.	Deferred tax liabilities	1420	7,734,146	7,870,003	7,968,308
5.7.1.	Estimated liabilities	1430	-	-	-
5.6.5–5.6.6.	Other liabilities	1450	844,633	730,906	923,355
	TOTAL for section IV	1400	45,112,678	37,685,909	42,891,663
	V. SHORT-TERM LIABILITIES				
5.6.7–5.6.8.	Loans and credits bank credits subject to payment within 12 months after the reporting date loans subject to payment within 12 months after the reporting date	1510	6,641,530	11,322,208	7,491,031
		1511	6,522,180	1,013,458	2,213,131
		1512	119,350	10,308,750	5,277,900
5.6.5–5.6.6.	Accounts payable suppliers and contractors bills payable debt to personnel relating to labour payment debt to governmental extra-budgetary funds taxes and levies payable advances received debts to participants (founders) according to income payment other accounts payable Deferred income	1520	12,354,712	13,422,187	9,759,815
		1521	5,794,487	6,057,453	4,572,165
		1522	-	-	-
		1523	666,380	617,113	651,768
		1524	470,244	430,808	373,731
		1525	2,381,790	1,597,243	1,685,883
		1526	1,998,471	1,622,783	2,049,879
		1527	895,892	43,154	39,896
		1528	147,448	3,053,633	386,493
		1530	21,229	19,761	18,293
5.7.1.	Estimated liabilities Other liabilities	1540	3,205,532	1,655,102	1,608,201
		1550	-	-	-
	TOTAL for section V	1500	22,223,003	26,419,258	18,877,340
	BALANCE	1700	124,263,247	122,536,105	119,666,049

(1) The reporting date of the reporting period shall be indicated.

(2) The previous year is indicated.

(3) The year preceding the previous one shall be indicated.

25 February 2020

CEO

I.V. Makovskiy

Chief Accountant

L.A. Sklyarova

PROFIT AND LOSS STATEMENT FOR JANUARY-DECEMBER 2019

Codes
Form under ARCMD
0710002
Date (year, month, day)
31.12.2019
under ARCBO
75720657
Company: Interregional Distribution Grid Company of Centre, Public Joint Stock Company
Id. tax payer number
TIN
6901067107
Type of economic activity: Electric power transmission
under ADCEA
35.12
Business legal structure/Form of ownership: Public Joint Stock Companies/Hybrid
under ARCFI\ARCFO
12247/41
Measurement unit: thousand RUB
under ARCM
384

Notes	Indicator	Code	For January-December 2019	For January-December 2018
			(1)	(2)
1	2	3	4	5
	Revenue including	2110	94,505,822	93,873,534
	revenue from electricity transmission	2111	90,886,674	90,015,407
	revenue from grid connection	2112	1,542,017	1,863,891
	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	520,662	530,020
	income from participation in other organisations	2115	-	-
	lease income	2116	27,794	42,033
	revenue from sale of other goods, products, works, services of industrial nature	2117	1,528,675	1,422,183
	revenue from sale of other goods, products, works, services of non-industrial nature	2118	-	-
2.1.	Cost of sales including	2120	(84,508,595)	(83,936,368)
	electricity transmission	2121	(82,813,402)	(82,279,583)
	grid connection	2122	(354,062)	(328,895)
	functioning organisation and development of UES of Russia in terms of electric distribution grid	2123	-	-
	resale of electric energy and power	2124	(451,165)	(465,997)
	participation in other organisations	2125	-	-
	lease	2126	(7,533)	(8,469)
	other goods, products, works, services of industrial nature	2127	(882,433)	(853,424)
	other goods, products, works, services of non-industrial nature	2128	-	-
	Gross profit (loss)	2100	9,997,227	9,937,166

Notes	Indicator	Code	For January–December 2019	For January–December 2018
2.1.	Commercial expenses	2210	(18,682)	(18,807)
2.1.	Management expenses	2220	(2,335,753)	(2,191,312)
	Profit (loss) from sales	2200	7,642,792	7,727,047
	Profit from participation in other organisations	2310	14,780	14,419
	Interest receivable	2320	106,466	53,123
	Interest payable	2330	(3,217,961)	(3,196,101)
5.11.	Other profit	2340	3,603,507	3,509,923
5.11.	Other expenses	2350	(6,975,149)	(5,900,097)
	Profit (loss) before taxation	2300	1,174,435	2,208,314
2.3.	Current profit tax	2410	(1,553,686)	(1,316,496)
2.3.	including constant tax liabilities (assets)	2421	646,352	517,165
2.3.	Change in deferred tax liabilities	2430	127,966	97,747
2.3.	Change in deferred tax assets	2450	544,481	259,921
2.3.	Other	2460	(78,515)	155,886
	Net profit (loss)	2400	214,681	1,405,372
5.1.1. 5.3.1.	FOR REFERENCE Result from the revaluation of fixed assets, not included in net income (loss) for the period			
3.2.	Result from other transactions not included in net income (loss) for the period	2510	-	-
	Aggregate financial result of the period	2500	214,681	1,405,372
2.2.	Basic earnings (loss) per share	2900	0.0000051	0.0000333
2.2.	Diluted earnings (loss) per share	2910	0.0000051	0.0000333

(1) The reporting date of the reporting period shall be indicated.

(2) The period of the previous year similar to the reporting period shall be indicated.

25 February 2020

CEO

I.V. Makovskiy

Chief Accountant

L.A. Sklyarova



INDEPENDENT AUDITOR'S REPORT

Consolidated Financial Statements prepared
 in accordance with International Financial Reporting Standards
 for the year ended 31 December 2019
 March 2020

To Shareholders and Board of Directors of Public Joint-Stock Company
 "Interregional Distribution Grid Company of Centre"

Opinion

We have audited the consolidated financial statements of Public Joint-Stock Company "Interregional Distribution Grid Company of Centre" and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019 and its consolidated financial performance and its consolidated cash flows for 2019 in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Recognition and measurement of revenue from electricity transmission services	
Recognition and measurement of revenue from electricity transmission services was one of the most significant matters for our audit due to certain specifics of the electricity market mechanisms that gave rise to disagreements among electricity supply, utilities, and other companies in relation to the volume and cost of the transmitted electricity. The amount of revenue challenged by counterparties is material to the Group's financial statements. Management's assessment of the probability of settling disputes in the Group's favor is highly subjective. Revenue is recognized when disagreements are resolved in favor of the Group with regard to assumptions. Information on revenue from electricity transmission services is disclosed in Note 7 to the consolidated financial statements.	We considered the applied accounting policy with regard to the recognition of revenue from electricity transmission services; assessed internal controls over the recognition of this revenue; checked the calculation of the corresponding revenue amounts based on the existing electricity transmission contracts; received, on a selective basis, confirmations of balances of receivables from counterparties; analyzed the results of litigations concerning disputable amounts of services provided, if any; and assessed existing procedures to confirm the volume of electricity transmitted.
Allowance for expected credit losses on trade receivables	
The allowance for expected credit losses on trade receivables was one of the most significant matters for our audit due to the material balances of trade receivables as of 31 December 2019, as well as due to the fact that management's assessment of the possible recoverability of these receivables is based on assumptions, in particular, on the predicted solvency of the Group's customers. Information on the allowance for expected credit losses on trade receivables is disclosed in Note 21, 33 to the consolidated financial statements.	We analyzed the Group's accounting policy on trade receivables with respect to the allowance for expected credit losses on trade receivables, and considered the assessment procedures performed by the Group's management, including the analysis of repayment of trade receivables, the analysis of maturity and delayed performance of obligations, and the analysis of customers' solvency. We performed audit procedures in respect of the information used by the Group to determine the allowance for expected credit losses on trade receivables, as well as the structure of receivables by age and maturity, tested the calculation of the charged allowance amounts based on management's estimates.
Recognition, measurement and disclosure of provisions and contingent liabilities	
Recognition, measurement and disclosure of provisions and contingent liabilities in respect of litigations and claims from counterparties (including territorial electric grid and utilities companies) were among the most significant matters for our audit as they require significant judgments of management with respect to material amounts of balances of settlements with counterparties that are challenged in litigations or under the pretrial settlement. Information on provisions and contingent liabilities is disclosed in Note 32, 35 to the consolidated financial statements.	Audit procedures also involved analyzing decisions made by courts of different instances; considering management's judgments with regard to its assessment of the possibility of the economic resources outflow due to dispute settlement; examining the compliance of prepared documentation with provisions of existing contracts and legislation; and analyzing disclosures on provisions and contingent liabilities in notes to the consolidated financial statements.
Impairment of non-current assets	
Due to the existence of impairment indicators in respect of non-current assets as of 31 December 2019, the Group performed impairment testing. The value-in-use of fixed assets forming a significant share of the Group's non-current assets, as of 31 December 2019, was determined by the projected cash flow method. The impairment testing of fixed assets was one of the most significant matters for our audit because the fixed assets balance forms a significant part of the Group's assets at the reporting date, and because management's assessment of the value-in-use is complex and largely subjective and is based on assumptions, in particular, on projected electricity transmission volumes, transmission fees, as well as operating and capital expenditures that depend on the expected future market or economic conditions in the Russian Federation. Information on the results of the impairment analysis of non-current assets is disclosed by the Group in Note 15 to the consolidated financial statements.	As part of our audit procedures, we also assessed the assumptions and methodologies applied by the Group, in particular, those relating to projected total revenue from electricity transmission, fee solutions, operating and capital expenditures, long-term rates of fee growth and discount rates. We tested the incoming data imported in the model and the arithmetic accuracy of the model used to determine the recoverable amount in the impairment test of fixed assets. We engaged valuation specialists to analyze the model used to determine the recoverable amount in the impairment test of fixed assets. We also analyzed the sensitivity of the model to changes in the main indicators of assessment and the Group's disclosures of assumptions on which the results of impairment testing largely depend.

Other information included the annual report

Other information consists of the information included in annual report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of management and Audit Committee of the Board of Directors for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit Committee of the Board of Directors are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit Committee of the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit Committee of the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit Committee of the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is T.L. Okolotina.

T.L. Okolotina

Partner
 Ernst & Young LLC
 10 March 2020

DETAILS OF THE AUDITED ENTITY

Name: Public Joint-Stock Company "Interregional Distribution Grid Company of Centre"

Record made in the State Register of Legal Entities on 17 December 2004, State Registration Number 1046900099498.

Address: Russia 119017, Moscow, Malaya Ordynka st., 15.

DETAILS OF THE AUDITOR

Name: Ernst & Young LLC

Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.

Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.

Ernst & Young LLC is a member of Self-regulatory organization of auditors Association "Sodruzhestvo". Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

(in thousands of Russian roubles, unless otherwise stated)

	Notes	Year ended 31 December	
		2019	2018
Revenue	7	94,641,562	93,935,259
Operating expenses	11	(88,510,090)	(87,228,063)
Accrual of allowance for expected credit losses	33	(831,785)	(536,876)
Net (accrual) / recovery of impairment losses on property, plant and equipment and assets in the form of rights of use	15, 17	881,180	(96,886)
Other income	8	2,514,896	1,356,103
Other expenses	9	(578,245)	(53,483)
Result from operating activities		8,117,518	7,376,054
Finance income	13	146,949	125,277
Finance costs	13	(3,603,127)	(3,405,876)
Total financial costs		(3,456,178)	(3,280,599)
Profit before income tax		4,661,340	4,095,455
Income tax expense	14	(1,508,146)	(1,099,613)
Profit for the period		3,153,194	2,995,842
Other comprehensive income			
<i>Items that will never be reclassified subsequently to profit or loss</i>			
Changes in the fair value of equity investments accounted for at fair value through other comprehensive income	18	15,357	1,955
Remeasurements of the defined benefit liability	28	(1,047,816)	125,617
Income tax related to items that will never be reclassified subsequently to profit or loss	19	167,996	(8,122)
Total items that will not be reclassified subsequently to profit or loss		(864,463)	119,450
Other comprehensive income/(expense) for the period, net of income tax		(864,463)	119,450
Total comprehensive income for the period		2,288,731	3,115,292
Profit attributable to:			
Equity holders of the Company		3,081,725	2,935,245
Non-controlling interests		71,469	60,597
Total comprehensive income attributable to:			
Equity holders of the Company		2,217,262	3,054,695
Non-controlling interests		71,469	60,597
Earnings per share			
Basic and diluted earnings per ordinary share (in RUB)	25	0.073	0,070

These consolidated financial statements were approved by management on 10 March 2020 and were signed on its behalf by:

General Director

I.V. Makovskiy

Chief Accountant

L.A. Sklyarova

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2019

(in thousands of Russian roubles, unless otherwise stated)

	Notes	31 December 2019	31 December 2018
ASSETS			
Non-current assets			
Property, plant and equipment	15	94,313,194	87,860,303
Intangible assets	16	2,476,115	2,784,394
Right-of-use assets	17	2,808,335	-
Trade and other receivables	21	128,138	575,449
Assets related to employee benefits plans	28	514,585	549,081
Other non-current financial assets	18	207,257	191,900
Advances given and other non-current assets	22	2,801	9,813
Total non-current assets		100,450,425	91,970,940
Current assets			
Inventories	20	2,682,124	2,735,443
Income tax prepayments		19,807	379,356
Trade and other receivables	21	12,971,865	11,682,657
Cash and cash equivalents	23	1,517,108	787,053
Advances given and other current assets	22	755,090	570,016
Total current assets		17,945,994	16,154,525
Total assets		118,396,419	108,125,465
EQUITY AND LIABILITIES			
Equity			
Share capital	24	4,221,794	4,221,794
Reserves		(1,063,748)	(199,285)
Retained earnings		41,944,315	40,580,643
Total equity attributable to equity holders of the Company		45,102,361	44,603,152
Non-controlling interest		984,795	259,822
Total equity		46,087,156	44,862,974
Non-current liabilities			
Long-term borrowed funds	26	39,323,975	29,076,926
Long-term trade and other payables	29	98,121	90,404
Long-term advances from customers	31	731,546	618,436
Employee benefits	28	2,996,844	1,950,777
Deferred tax liabilities	19	4,537,916	5,129,281
Total non-current liabilities		47,688,402	36,865,824
Current liabilities			
Short-term borrowed funds and current part of long-term borrowed funds	26	7,168,941	11,312,750
Trade and other payables	29	10,086,163	10,597,274
Tax debts other than income tax	30	2,757,508	2,043,146
Advances from customers	31	2,136,468	1,626,437
Provisions	32	2,251,523	812,931
Current income tax liabilities		220,258	4,129
Total current liabilities		24,620,861	26,396,667
Total liabilities		72,309,263	63,262,491
Total equity and liabilities		118,396,419	108,125,465

INDEX OF GRI

102-55

GRI Indicator	Omission/Comment	Page number (or reference)
GRI 102 GENERAL DISCLOSURES		
Organisational profile		
GRI 102-1 Name of the organisation		Inside front cover, About the Report
GRI 102-2 Activities, brands, products, and services		pages 14-15
GRI 102-3 Location of headquarters	15 Malaya Ordynka Str., Moscow, 119017, Russia	
GRI 102-4 Location of operations		Inside front cover, About the Report
GRI 102-5 Ownership and legal form	Public Joint Stock Company Interregional Distribution Grid Company of Centre	
GRI 102-6 Markets served		page 18
GRI 102-7 Scale of the organisation		page 155
GRI 102-8 Information on employees and other workers		page 155
GRI 102-9 Supply chain		page 66
GRI 102-13 Membership of associations	EnergoProfAudit, Moscow Chamber of Commerce and Industry, ENERGOSTROY Union, Energoproekt, SIRED National Committee, Nonprofit Partnership of Territorial Network Organisations (the complete list is available at https://www.mrsk-1.ru/en/information/quarterly-reports/2020/)	
Strategy		
GRI 102-11 Precautionary principle		page 136
GRI 102-14 Statement from senior decision-maker		pages 8-13, page 80, pages 98-99, page 154
GRI 102-15 Key impacts, risks, and opportunities		pages 10-13, page 136
Ethics and fair practices		
GRI 102-16 Values, principles, standards, and norms of behaviour		page 157
GRI 102-17 Mechanisms for advice and concerns about ethics		page 157
Management		
GRI 102-18 Corporate Governance structure		page 100
GRI 102-19 Delegating authority		page 100
GRI 102-20 Executive-level responsibility for economic, environmental, and social topics		page 100
GRI 102-21 Consulting stakeholders on economic, environmental, and social topics		Inside front cover, About the Report
GRI 102-22 Composition of the highest governance body and its committees		pages 103-118
GRI 102-23 Chair of the highest governance body		pages 103-118
GRI 102-24 Nominating and selecting the highest governance body		page 103
GRI 102-25 Conflict of interest		page 141

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GRI 102-26 Role of highest governance body in setting purpose, values, and strategy		page 8-9
GRI 102-28 Evaluating the highest governance body's performance		page 111
GRI 102-30 Effectiveness of risk management processes		page 136
GRI 102-31 Review of economic, environmental, and social topics		pages 10-13, 80, 154
GRI 102-35 Policy of remuneration for members of the highest governance body and senior executive officers		page 125-129
GRI 102-36 Process for determining remuneration		page 125-129
Stakeholder relations		
GRI 102-40 List of stakeholder groups		pages 176-177
GRI 102-41 Collective bargaining agreement		page 163
GRI 102-43 Approach to stakeholder engagement		pages 176-177
GRI 102-44 Key topics and concerns raised by stakeholders		Inside front cover, About the Report
Reporting procedure		
GRI 102-45 Legal entities included in the consolidated financial statements		Inside front cover, About the Report
GRI 102-46 Defining the report content and topic boundaries		Inside front cover, About the Report
GRI 102-47 List of material topics		Inside front cover, About the Report
GRI 102-50 Reporting period	Reporting period – calendar year 2019.	
GRI 102-51 Date of the most recent report on sustainable development	The Company has published the Sustainable Development Report for 2016-2017	
GRI 102-52 Reporting cycle	The Company has published the Sustainable Development Report for 2016-2017, information on sustainable development in 2019 is included in this Integrated Report.	
GRI 102-53 Contact point for questions regarding the report		page 176
GRI 102-54 Claims of reporting in accordance with the GRI Standards	The present report has been prepared in accordance with the GRI standards: Core variant of disclosure	
GRI 102-55 GRI content index	The present Appendix	
GRI 200 ECONOMIC		
GRI 201 Economic performance		
GRI 201-1 Direct economic value generated and distributed		page 92
GRI 201-3 Defined benefit plan obligations and other retirement plans		page 163
GRI 203 Indirect economic impacts		
GRI 203-1 Infrastructure investments and services supported		page 177
GRI 204 Procurement practices		
GRI 204-1 Proportion of spending on local suppliers in significant regions of operation		page 175
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GRI 205-3 Confirmed incidents of corruption and actions taken		page 140

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GRI 103-2 The management approach and its components		page 171
GRI 302 Energy		
GRI 302-4 Reduction of energy consumption		page 170
GRI 303 Water and effluents		
GRI 303-1 Interactions with water as a shared resource		page 172
GRI 303-3 Water withdrawal		page 173
GRI 303-4 Water discharge		page 173
GRI 304 Biodiversity		
GRI 304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		page 174
GRI 304-3 Habitats protected or restored	IDGC of Centre does not perform works for protection and restoration of habitats as the Company's activities do not result in habitat destruction or negative environmental impact.	
GRI 305 Emissions		
GRI 305-1 Direct (Scope 1) greenhouse gas emissions		page 173
GRI 305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions		page 173
GRI 306 Effluents and waste		
GRI 306-2 Waste by type and disposal method		page 173
GRI 307 Environmental compliance		page 171
GRI 400 SOCIAL		
GRI 103-2 The management approach and its components		page 155
GRI 401 Employment		
GRI 401-1 Newly employee hires and employee turnover		page 156
GRI 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Benefits under the Collective Bargaining Agreement are applicable to all the Company's employees and depend on the status and terms of employment relations	
GRI 403 Occupational Health and Safety		
GRI 103-2 The management approach and its components		page 165
GRI 403-5 Worker training on occupational health and safety		page 166
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GRI 405-1 Diversity of governing bodies and employees by gender and age		page 103
GRI 406 Non-discrimination		
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Standard		
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EU3 Number of consumers by categories		page 68
EU4 - Length of power grids by type		pages 14-15
Economic		
EU8 (ex) R&Ds to improve power supply reliability and ensure sustainable development of the Company		pages 74-76
EU12 Transmission and distribution losses as a percentage of the total energy transmitted		page 69
Social		
G4-EN12 Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas		page 174
EU14 (ex) Programmes and measures providing for the skilled personnel		pages 158-161
EU18 Safety training and/or briefing of contractor employees		page 167
EU21 (ex) Planning of measures in case of emergencies, programme of personnel training in emergency response, planning of capacity restoration measures in case of damage during emergencies		page 168
EU23 (ex) Programmes to improve and maintain access to electricity and consumer services, including those implemented in partnership with the state	Programmes to improve and maintain access to electricity and consumer services implemented by the Company are available at https://www.mrsk-1.ru/about/projects/	
EU24 (ex) Accounting for linguistic and cultural barriers, those related to illiteracy and disability against reception and safe use of electricity and consumer services		pages 72-73
EU25 Number of injuries to the public involving company assets in the reporting period		page 167
EU28 System average interruption frequency index		page 65
EU29 System average interruption duration index		page 65

GLOSSARY

abs.	Absolute value
ADCS	Automated Dispatch Control Systems
CGC	Corporate Governance Code recommended by the Bank of Russia
CHPP	Combined heat and power plant
DATU	Data acquisition and transmission unit
DDP	District dispatch point
DGC	Distribution grid company
DP	Distributing point
EBITDA	Earnings before interest, taxes, depreciation and amortisation
EnMS	Energy Management System
ERP	Enterprise Resource Planning System
FAS	Federal Antimonopoly Service
FGC	Federal Grid Company
FOCL	Fibre-optic communication line
Free-float	Percentage of the Company's shares that can be publicly traded, i.e. are not held by the controlling shareholder or strategic shareholders
GCC	Grid Control Centre

IDGC	Interregional distribution grid company
IFRS	International Financial Reporting Standards
IR	Relations with shareholders and investors
IT	Information technologies
JSC	Joint Stock Company
KPI	Key performance indicators
LAN	Local area network
MUE	Municipal utility enterprise
NCGR	National Corporate Governance Rating
OHL	Overhead lines
OJSC	Open Joint Stock Company
PAMS	Production Asset Management System
PIT	Personal income tax
PJSC	Public Joint Stock Company
PTL	Power transmission line
QMS	Quality management system
R&D	Research and development
RAB	Rate of return on invested capital
RAS	Russian Accounting Standards

REC	Regional Energy Commission
RGR	Required gross revenue
RPA	Relay protection and automatics
RPG	Region of power grids, Distribution Zone
S&A	Subsidiaries and affiliates
SAIDI	System average interruption duration index, which serves to measure the average time during which consumers are not served
SAIFI	System average interruption frequency index, which serves to estimate the number of service outages that consumers face
SME	Small and medium-sized enterprises
SS	Substation
TBD	Tariff balance decision, TBD regulator
TGO	Territorial grid organisations
TSR	Total shareholder return
UES	Unified Energy System of Russia
UNPG	Unified National Power Grid of Russia
VAT	Value added tax

UNITS OF MEASUREMENT

GW	gigawatt	MVA	megavolt-ampere	TFOE	tonne of fuel oil equivalent
kV	kilovolt	MWh	megawatt-hour	t	tonne
kW	kilowatt	mn	million	thous.	thousand
kWh	kilowatt-hour	bn	billion	h	hour
km	kilometre	RUB	Russian rouble	pc.	piece

EXPERT SURVEY RESULTS IDENTIFICATION OF SIGNIFICANT TOPICS FOR DISCLOSURE IN THE 2019 INTEGRATED ANNUAL REPORT OF IDGC OF CENTRE.

IDGC of Centre focuses on an open dialogue with its stakeholders and tries to provide them with the most transparent and accurate information. In January 2020, the Company performed activities to identify the aspect of its operation most relevant for key groups of the stakeholders. For that purpose, an expert survey was organised and conducted involving three stakeholders' groups: internal (the Company's employees) and external (representatives of the industry professionals and experts in corporate social responsibility and sustainability).

Personal questionnaires with open questions were sent to the experts. It should be emphasised that the survey was of qualitative nature to record the competent judgement of each expert most accurately. The answers allowed determination of the Company's operation aspects that formed a list of significant topics recommended for detailed development.

Topics important for the stakeholders are given below. The major part of the recommended topics was included in the scope of the Report, the traditional Report topics were detailed. It is expected that topics not included in the 2019 Integrated Report will be disclosed in the next reporting period.

ASSESSMENT OF COMPLETENESS OF DISCLOSURE OF SIGNIFICANT TOPICS IN THE 2019 INTEGRATED REPORT OF IDGC OF CENTRE

At the final stage of preparation of IDGC of Centre's Integrated Report for 2019 (hereinafter the Report), an expert survey was conducted to evaluate the completeness of disclosure of significant topics in the Report. The survey also included questions to identify significant topics for the next reporting period (2020) by environmental, economic and social impact criteria. The survey involved three groups of stakeholders: internal - heads of the Company's specialised units, and external - representatives of the industry professionals and experts in the sustainable development area.

Representatives of each expert group received inquiries sent to determine the aspects of the Company's operation most important for them. It was a qualitative survey, i.e. most questions of the questionnaire were open ones and the experts could express their opinion. The analysis of the questionnaires given below allowed the identification of the Report development areas and definition of the Company's operation aspects most important for the stakeholders. The survey results will be used at the stage of the 2020 Report concept preparation.

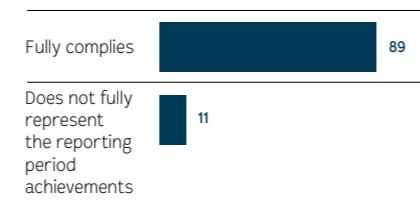
The Company plans to perform such surveys on a regular basis.

Significant topics for the 2019 Integrated Report

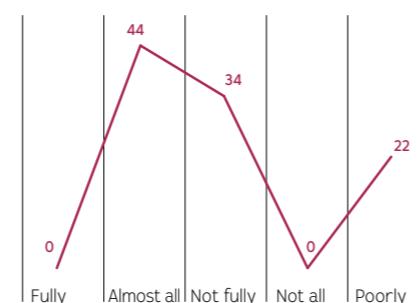
- Global risks and the Company's development opportunities
- Contribution to regional development (taxes, participation in infrastructure development, social projects)
- Payment of interim dividends
- Enhancement of the Company's investment case
- Energy consumption reduction and general resource saving
- Changes in the Company's social policy
- Consumption reduction and development of additional services
- Changes in the grid performance and effect on tariffs
- Disclosure of contractor/supplier selection and control standards (responsible supply chain)
- Construction cost reduction
- Improved quality of interaction with the stakeholders

RESULTS OF THE FINAL EXPERT SURVEY

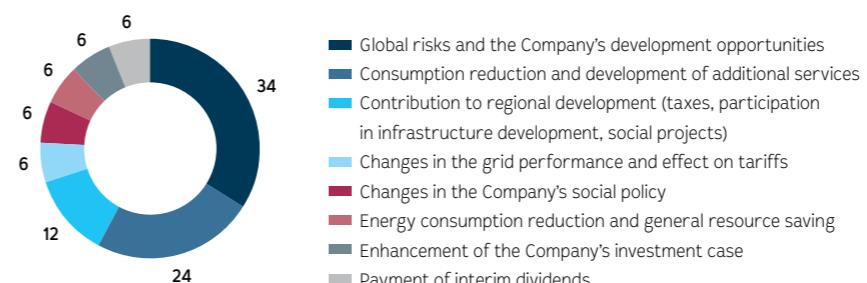
How accurate does the title of the Integrated Report "Digital Transformation: Less Means More", %



Conformity of profoundness of significant topics in the 2019 Integrated Report, %



Significant topics identified in 2019 that will remain relevant in the next reporting period, %



STATUS OF DISCLOSURE IN THE REPORT OF THE SIGNIFICANT TOPICS IDENTIFIED UNDER THE PRELIMINARY STAKEHOLDERS' SURVEY (JANUARY 2020)

The major part of the recommended topics was included in the scope of the Report, the traditional Report topics were detailed. It is expected that topics not included in the Report will be disclosed in the next reporting period.

No.	Significant topics for the 2019 Report	Company's comments
1	Global risks and the Company's development opportunities	Disclosed regarding the Company's opportunities
2	Contribution to regional development (taxes, participation in infrastructure development, social projects)	Disclosed
3	Payment of interim dividends	Disclosed
4	Enhancement of the Company's investment appeal	Disclosed
5	Energy consumption reduction and general resource saving	Disclosed
6	Changes in the Company's social policy	Disclosed
7	Consumption reduction and development of additional services	Disclosed
8	Changes in the grid performance and effect on tariffs	Disclosed
9	Disclosure of contractor/supplier selection and control standards (responsible supply chain)	Statistics were not gathered at the time of the Report preparation
10	Construction cost reduction	Disclosed
11	Improved quality of interaction with the stakeholders	Disclosed

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