



Territory of development



2014
Annual report

IDGC of Centre, JSC

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

Scope of the Report

The presentation version of the annual report (hereinafter – the Annual Report), including financial and economic indicators based on the RAS statutory financial statements, contains data on IDGC of Centre operations. The Annual Report contains information on the Company's 2014 operating results as at the date of the Report. The data for 2012 and 2013 are provided to monitor the changes in indicators.

Disclaimer

The Annual Report contains information on the Company's 2014 operating results and forecast indicators, statements of intent, opinions or current expectations pertaining to operating results, financial standing, liquidity, growth prospects, strategies, as well as growth in the industry where IDGC of Centre operates. Certain risks and uncertainties are inherent to such forecasts, since they are related to events and depend on circumstances that may or may not occur in the future.

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

The Company cautions that such forecasts do not constitute a guarantee of future indicators. The Company's actual operating results, its financial position and liquidity, and the growth of the industry where it operates, may significantly differ from

Contact details

Postal address: 4, 2nd Yamskaya Str., Moscow 127018, Russia
Tel/Fax: +7 (495) 747-9292 / +7 (495) 747-9295.
Website: <http://www.mrsk-1.ru/en>
Email: posta@mrsk-1.ru



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

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

the forecasts in this document. Furthermore, should the above indicators correspond to the forecasts made in this Report, such results and events do not imply that similar results and events will occur in the future.

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

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

COMPANY HISTORY FOR 10 YEARS

17.12.2004

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

2006

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

2007

- The final Company structure was approved. This structure is comprised of 11 regional grid companies (hereinafter referred to as RGCs): JSC Belgorodenergo, JSC Bryanskenergo, JSC Voronezhenergo, JSC Kostromaenergo, JSC Kurskenegero, JSC Lipetskenegero, JSC Orelenergo, JSC Tambovenergo, JSC Yarenergo.
- IDGC of Centre and North Caucasus, JSC was renamed into IDGC of Centre, JSC.
- IDGC of Centre, JSC was first assigned an NRCCG 6+ rating (according to RID-Expert RA).

2008

- Affiliation of RGC and change to single share. Transfer of RGC's assets to the balance of IDGC of Centre, JSC.
- IDGC of Centre, JSC's shares start being traded on MICEX (MRKC) and RTS (MRKC;MRKCG).
- Termination of activities of RAO UES of Russia. JSC IDGC Holding became the major shareholder of the Company, holding 50.23% of authorised capital.

2009

- The Smart City innovative energy-saving project was launched in the Belgorodenergo Branch.
- The following 100/10 kV substations were put into operation:
 - Maiskaya substation with a capacity of 80 MVA in Belgorodenergo;
 - Davydovskaya substation in Kostromaenergo;
 - Universitetskaya substation in Lipetskenegero;
 - Chaika substation in Yarenergo.
- Three pilot branches of IDGC of Centre, JSC (Tverenergo, Lipetskenegero and Belgorodenergo) switched to RAB, the new method of tariff regulation system.
- IDGC of Centre was assigned a BB-/B/ruAA- credit rating ("Stable") by Standard & Poor's for the first time.

2010

- The following substations were put into operation:
 - the 100 kV Krapivenskaya substation in Belgorodenergo;
 - the 110 kV Kotorosl substation in Yarenergo providing large facilities with reliable electric energy supply which were built in honour of the 1,000th anniversary of Yaroslavl;
 - the 110 kV Zapadnaya substation in Orelenergo.
- The company acquired JSC Yargorelectroset. As a result of the transaction, the Company owns 90% of assets of power grids in the Yaroslavl Region.

2011

- All branches of IDGC of Centre switched to a new method of tariff regulation system based on RAB methodology.
- The following substations were put into operation:
 - the 110/35/10 kV Pochepskaya substation in the Bryansk Region;
 - the110/10 kV Rodniki substation in Kursk;
 - the 110 kV Kotelnaya substation in the Kursk Region.
- The 110/10 PTF substation was put into operation built for the purpose of Inzhavinskaya poultry farm, which is one of the most modern poultry farms in Russia.

2012

- The company purchased the power grid infrastructure in Stariy Oskol, making it possible to complete the process of power asset consolidation in the Belgorod Region.
- The Lipetskenegero Branch completed reconstruction of the oldest substation in the regional power grid system – the 110 kV Bugor substation. The installed capacity increased from 55 MVA to 126 MVA. The projects made it possible to increase the reliability of power supply in the central part of Lipetsk and provide spare capacity for connecting new users.
- IDGC of Centre, JSC entered into the International Electricity Alliance CIRED in the status of a permanent organisation.

2013

- In accordance with the resolution of the Ministry of Energy of the Russian Federation, IDGC of Centre, JSC became a supplier of last resort in the Bryansk, Orel, Kursk, Tver and Smolensk Regions.
- Comprehensive reconstruction of the 35/10 kV Zadonsk-Selskaya substation was completed in Lipetsk. The capacity of the power facility increased from 2.5 MVA to 4 MVA.

MILESTONE EVENTS IN 2014

January

- 10/0.4kV 100kVA experimental transformer with a more efficient energy consumption class was installed in the distribution grids of Ustinovka village in the Belgorod District.

February

- The first meeting of the regional Consumer Council was held in 2014. The key focuses of the event were improved accessibility of the electricity grid infrastructure.

May

- IDGC of Centre provided electricity to Moorinvest LLC card plant in the Lietsk Region by introducing unique state-of-the-art energy equipment – Siemens 110kV 25MVA mobile substation.
- IDGC of Centre started up a new Vozrozhdenie 110/10kV substation to supply electricity to the facilities of Miratorg, large Russian agricultural complex, in the Kursk Region.

June

- The Annual General Shareholders' Meeting was held based on the 2013 results. 25.9% of 2013 net profit was allocated to dividend payout.

July

- A new central diagnostics laboratory was started up in Kostromaenergo branch. The main functions of the laboratory are physical and chemical and chromatography analysis of electrotechnical gases and liquids.
- IDGC of Centre entered into a trilateral agreement with JSC ROSSETI and the Government of the Yaroslavl Region on economic incentives for energy saving and improvement

of energy efficiency. The agreement stipulates interaction between the parties on tariff regulation to reimburse the expenses of the grid company for the activities aimed at loss reduction in grids.

- Voronezhenergo branch connected to the grid 25 socially important sites in the Voronezh Region, including two schools, three kindergartens, and 14 sports facilities.

September

- Educational and training grids grounds are opened in Konakovo village in the Tver Region.
- Reconstruction of the 110/35/10 kV substation KPD in Volgorechensk. Two new 110 kV 25 MVA transformers were installed to increase substation capacity.

October

- IDGC of Centre started to rebuild the substations in the "city ring" of Stary Oskol. The Company upgrades the equipment of three 110 kV power centres, including Ochistnye, Obukhovskaya, and Pushkarnoye that supply power to the north-east and south-west parts of the city.
- IDGC of Centre rebuilt the 110/35/10 kV Naryshkinskaya substation in the Oryol Reigon.
- Kurskenergo branch completed construction of 35/10 kV Mansurovo in the Sovetsky District of the Kursk Region. A new power centre was built for grid connection of the large facilities of CJSC Agrocomplex Mansurovo – one of the largest-scale agricultural investment projects in the region.

December

- Tambovenergo branch completed connection to the grid of the largest preschool in the Tambov Region — Planet of Childhood for 280 children in Novaya Lyada.

March

- IDGC of Centre started to prepare to develop a feasibility study for the construction and upgrade of external lighting grids with a selection of the best technical and cost parameters. The service provides customers with means to calculate saving of electricity against the current level, graphically show equipment parameters, select the best energy efficient lighting equipment, and obtain data on a project payback period.

SUBSEQUENT EVENTS (2015)

February

- Kostromaenergo branch connected the new drilling rig plant in Volgorechensk to the grid. A plant under construction is important for the economy and development of the region – there is a site for production of drilling rigs, plants for current repair of wells and other drilling equipment to service the demands of the Russian oil and gas market and products export to the global market.

CONTENTS

- 4 Key indicators
- 6 Outstanding securities
- 8 Business model
- 10 Key customers
- 12 Address from the chair of the board of directors to shareholders and investors
- 14 Address from the general director to shareholders and investors

01

Development strategy

- 18 Market overview
- 22 Development of strategic priorities
 - 24 Company results in 2014
 - 25 Plans for 2015

02

Capacity report

- 28 Characteristics of assets
- 32 Operating results
 - 32 Electric energy transmission
 - 40 Grid connection procedure
 - 44 Electric energy sales and capacities
 - 46 Other activities
- 48 Innovations
- 52 Information technologies
- 55 Emergency prevention

03

Financial analysis

- 58 Credit ratings
- 59 Tariff policy
- 64 Financial results analysis
- 76 Investments
 - 76 Areas and structure of capital investment financing
 - 77 Long-term investment programme

04

Corporate governance

- 80 Corporate governance principles
- 81 Corporate governance structure and control
- 82 Management and regulatory bodies
 - 82 General shareholders' meeting
 - 82 Dividend policy
 - 84 Corporate secretary
 - 85 Board of directors
 - 94 Committees under the board of directors
- 100 General director
- 101 Management board
- 104 Information disclosure policy
- 105 Supervisory bodies
 - 105 Internal control
 - 105 Risk management
 - 106 Internal audit
 - 106 Auditing commission
 - 107 Auditor
- 108 Risk management
- 114 Securities
- 118 Relations with shareholders and investors
- 119 Anti-corruption activities

05

Social responsibility

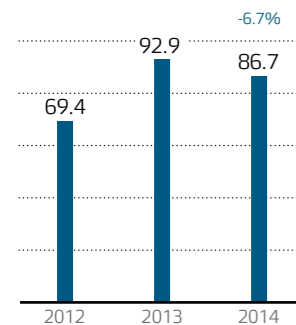
- 122 Human resources
 - 122 Staffing level
 - 124 Personnel training and development
 - 126 Staff motivation
 - 128 Social benefits and protection
 - 129 Labour safety
- 130 Environmental policy
- 131 Third-party safety
- 132 Procurement
- 134 Public relations

Appendices

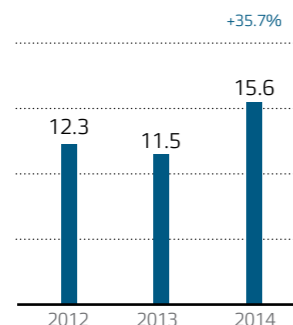
- 136 Service quality evaluation
- 137 "Last Mile" contract
- 137 Key Development Areas of IDGC of Centre (SWOT)
- 138 Auditor's opinion for accounting (financial) statements
- 140 Balance Sheet
- 143 P&L Statement

KEY INDICATORS

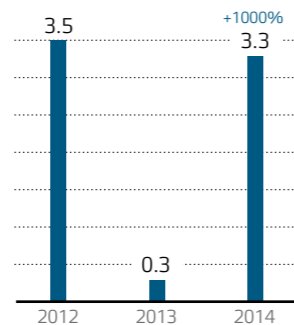
RAS Revenues
RUB bn



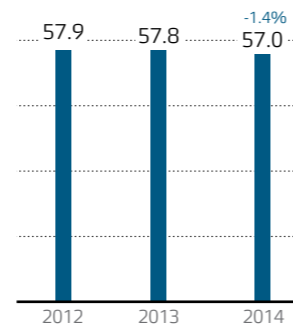
RAS EBITDA
RUB bn



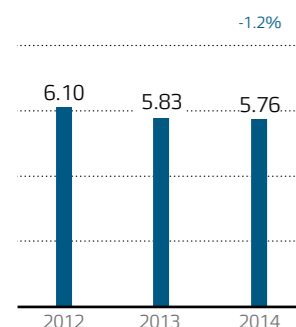
RAS Net Profit
RUB bn



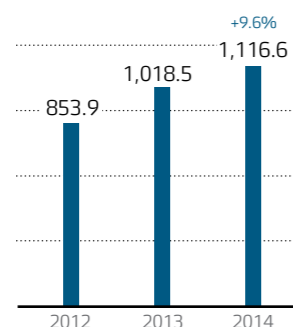
Net Supply
bn kWh



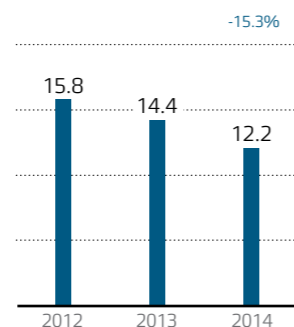
Energy Losses
bn kWh



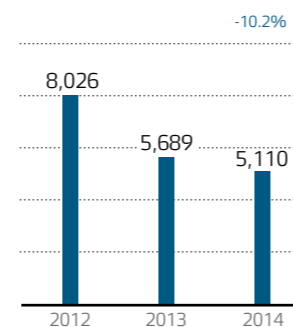
Added Capacity
MW



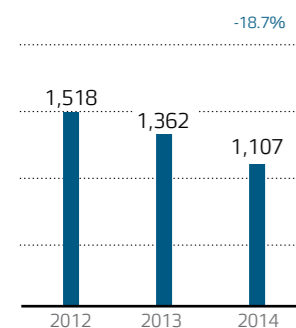
Capital Investment
RUB bn



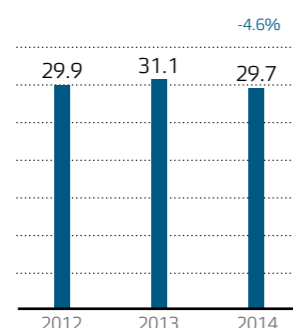
ETL Commissioning
km



Transformer Capacity
Commissioning MVA



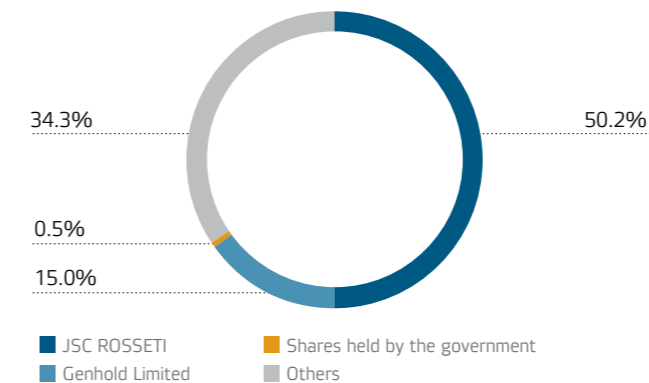
Average headcount,
thousand people



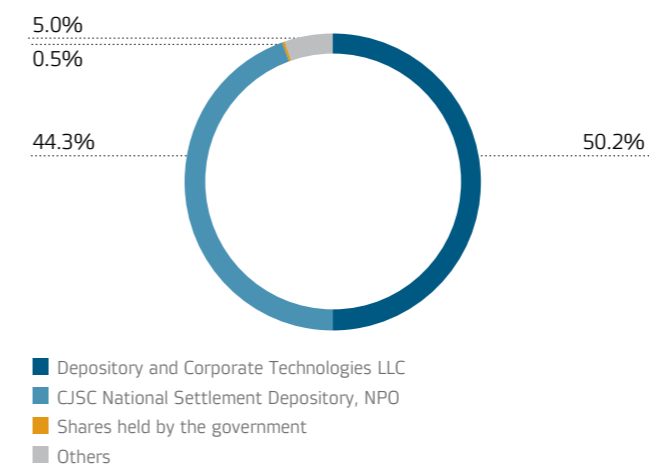
All key performance indicators were fully achieved in 2014. Annual and quarterly KPI achievement is 100% and 100% respectively.

SHARE CAPITAL STRUCTURE IN IDGC OF CENTRE

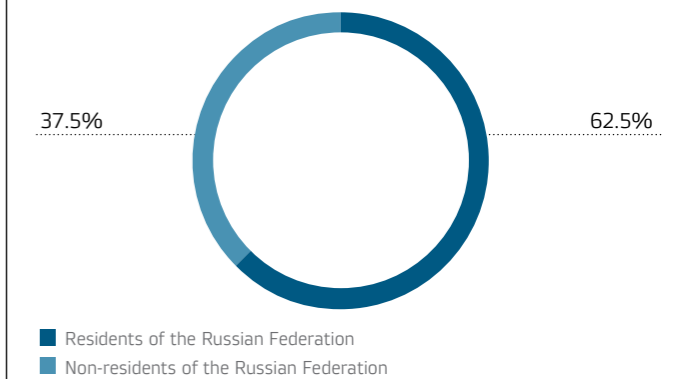
Major shareholders as at the shareholder close date (May 12, 2014), taking into account nominee holders' customers



Major nominee shareholders in the shareholders' register as at December 31, 2014, excluding the details of nominal holders' customers

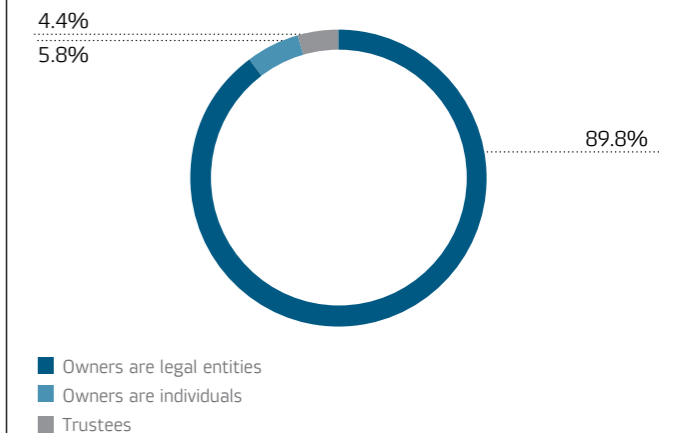


Share capital structure as at May 12, 2014 (last date of shareholder close date)



Equity holding of affiliated persons in the authorised capital of IDGC of Centre:

- Denis V. Kulikov, Member of the Board of Directors of the Company – owns 0.0007106% (300,000 shares) in the authorised capital of IDGC of Centre.
- Alexander V. Pilyugin, Member of the Management Board of the Company – owns 0.00035% (146,777 shares) in the authorised capital of the Company.



Concentration of the share capital of IDGC of Centre as at the register close date (May 12, 2014) (taking into account information disclosure on nominee holders' customers by AGSM held on June 26, 2014)

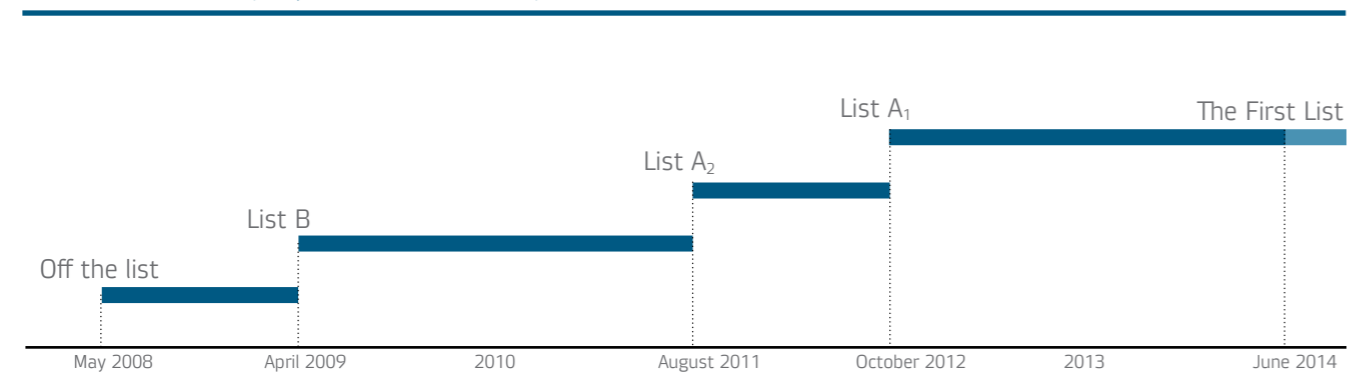
Number of shares	Quantity shareholders	% of the total number of shareholders	% of share capital
1–100	942	5.70%	0.00
101–500	1,937	11.72%	0.00
501–1,000	575	3.48%	0.00
1,001–10,000	3,518	21.29%	0.03
10,001–100,000	5,738	34.72%	0.61
100,001–1,000,000	3,398	20.56%	2.17
1,000,001–10,000,001	324	1.96%	2.08
10,000,001–100,000,001	66	0.40%	5.31
Over 100,000,001	28	0.17%	89.80
Total	16,526	100	100

OUTSTANDING SECURITIES

42,217,941,468

Outstanding shares at par 10 kopecks each

Position of the Company's shares in MICEX quotation list



IDGC of Centres shares are included in the data base for calculation of MICEX indices

2.64%

MICEX SC (start cap) – weight of a Company share in the index as at 28.11.2014

2.15%

MICEX PWR (electricity) – weight of a Company share in the index as at 28.11.2014

Capitalisation, RUB bn

24.6

2012

9.3

2013

11.5

2014

Credit ratings

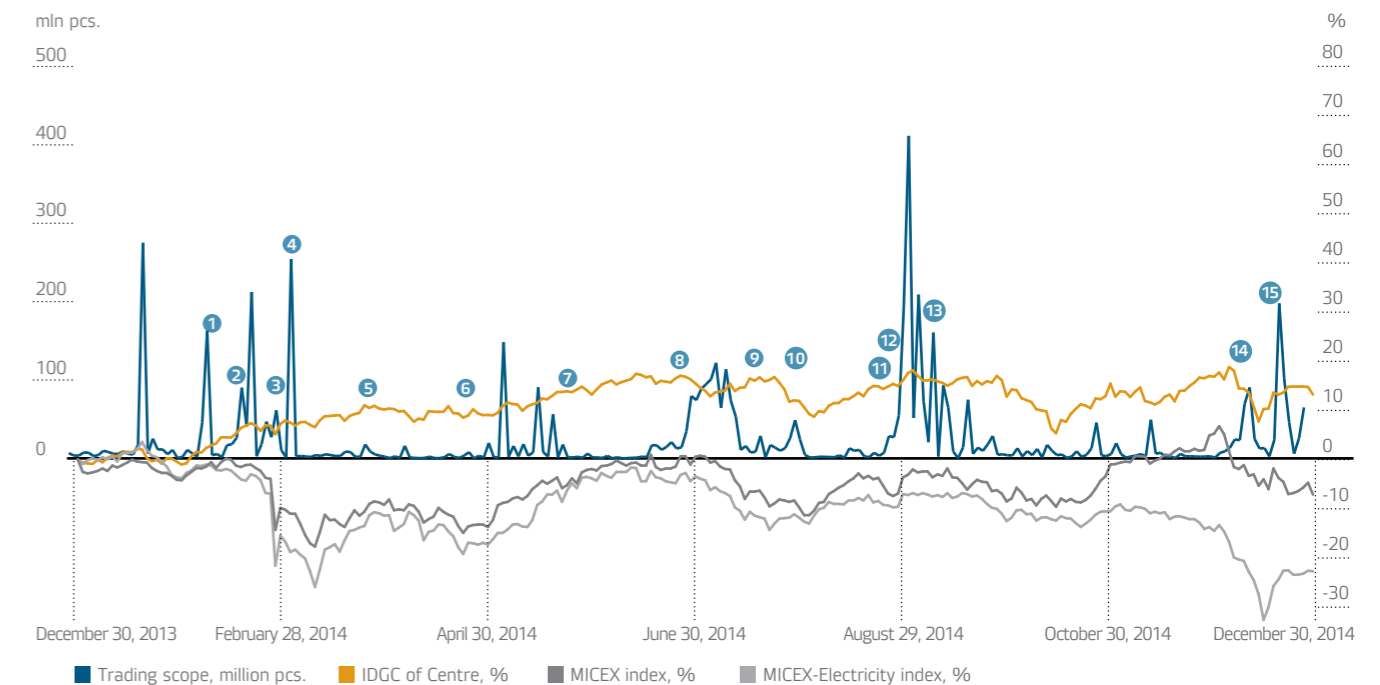
BB/B

Negative outlook/
Standard & Poor's

AA

Very high creditworthiness,
Level 2/National Rating Agency (NRA)

Trading scope and value of key MICEX indicators



Key events that impacted the prices of listed stock of IDGC of Centre in 2014

No.	Event	Date	Factor	Impact
1	February 13	Approval by regional energy commissions of electricity transmission tariffs in all regions where IDGC of Centre operates	Internal factor	Positive impact
2	February 17	Message of Alexey Teksler, Minister of Energy to inform that the Russian Ministry of Energy does not reject IDGC privatisation plans	External factor	Positive impact
3	February 28	Stock market crash due to Crimean events	External factor	Negative impact
4	March 04	Publication of the 2013 RAS financial statements by IDGC of Centre	Internal factor	Negative impact
5	March 26	Interfax informs that the Russian Ministry of Energy finds privatisation of one IDGC highly unlikely in 2014	External factor	Negative impact
6	April 22	Kommersant publication on a shortage in income of Russian Grids estimated by the company at RUB 140 billion by 2018 due to grid connection of consumers entitled to special benefits	External factor	Negative impact
7	May 21	JSC ROSSETI signs a strategic cooperation agreement with the State Grid Corporation of China and agrees on joint research of the possibilities of building an UHV ETP to supply electricity from Russian to China	External factor	Positive impact
8	June 26	Message from Kommersant newspaper: The Russian Ministry of Energy considers the option of extending the "last line" (see page 137 of the Annual Report) in several regions	External factor	Positive impact
9	July 18	According to bfm.ru, Russian Grid petitioned the Government to accelerate tariff indexation in 2015	External factor	Positive impact
10	July 31	IDGC of Centre published the financial statements for the first six months of 2014 (RAS). The Company's net profit demonstrated a 66.7% growth	Internal factor	Positive impact
11	August 20	Renaissance Capital renewed analytical services to grid companies. The securities only of two out of 14 companies (IDGC of Centre and IDGC of Centre and Volga Region) were recommended for purchase	Internal factor	Positive impact
12	August 28	According to Vedomosti, the Russian Ministry of Energy proposed to the Ministry of Economic Development to index the tariff for Russian Grids in 2015 4 p.p. above the inflation level	External factor	Positive impact
13	September 10	Russian Grids submitted the draft long-term development strategy that included exchange of shares of subsidiaries	External factor	Negative impact
14	December 11	Approval by IDGC of Centre Board of Directors of the 2015 Business Plan	Internal factor	Positive impact
15	December 16	Stock market crash due to a weakening ruble	External factor	Negative impact

Internal factor

External factor

Positive impact

Negative impact

BUSINESS MODEL

THE COMPANY'S MISSION CONSISTS IN PROVISION OF RELIABLE AND QUALITATIVE SUPPLY OF ELECTRIC ENERGY TO SATISFY GROWING REQUIREMENTS OF ECONOMY AND SOCIAL SECTOR ON ECONOMICALLY JUSTIFIED PAYMENT OF CONSUMERS FOR RENDERED SERVICES

INDICATORS FOR 2014

54.4 kWh bn

Volume of electricity transmission services

458 thous. km²

Service area

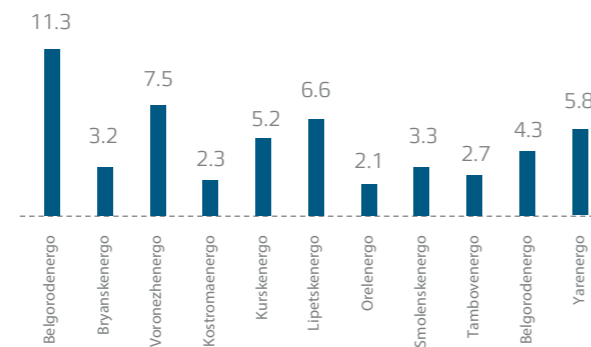
13.6 mln people

Population of the service area

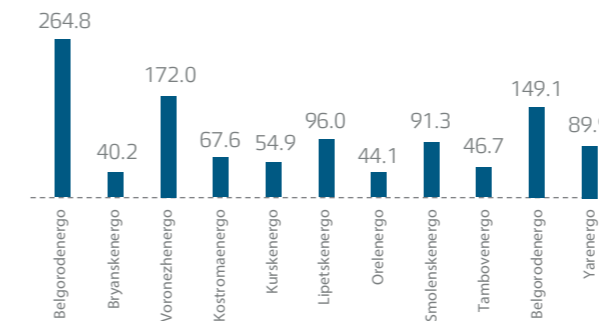
1,116.6 MW

Connected maximum capacity

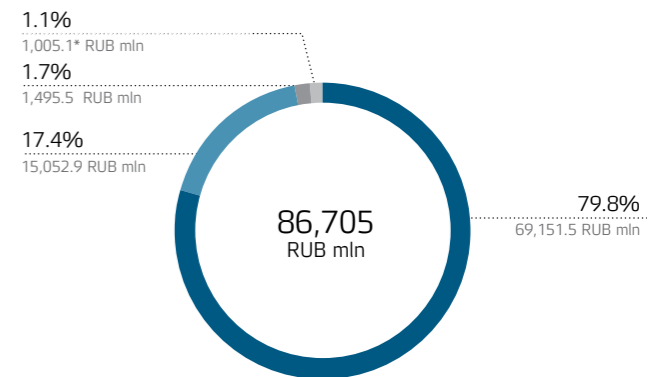
The volume of electricity transmission services rendered by the Company broken down by the branches in 2014, kWh bn



Volume of connected maximum capacity broken down by the branches in 2014, MW

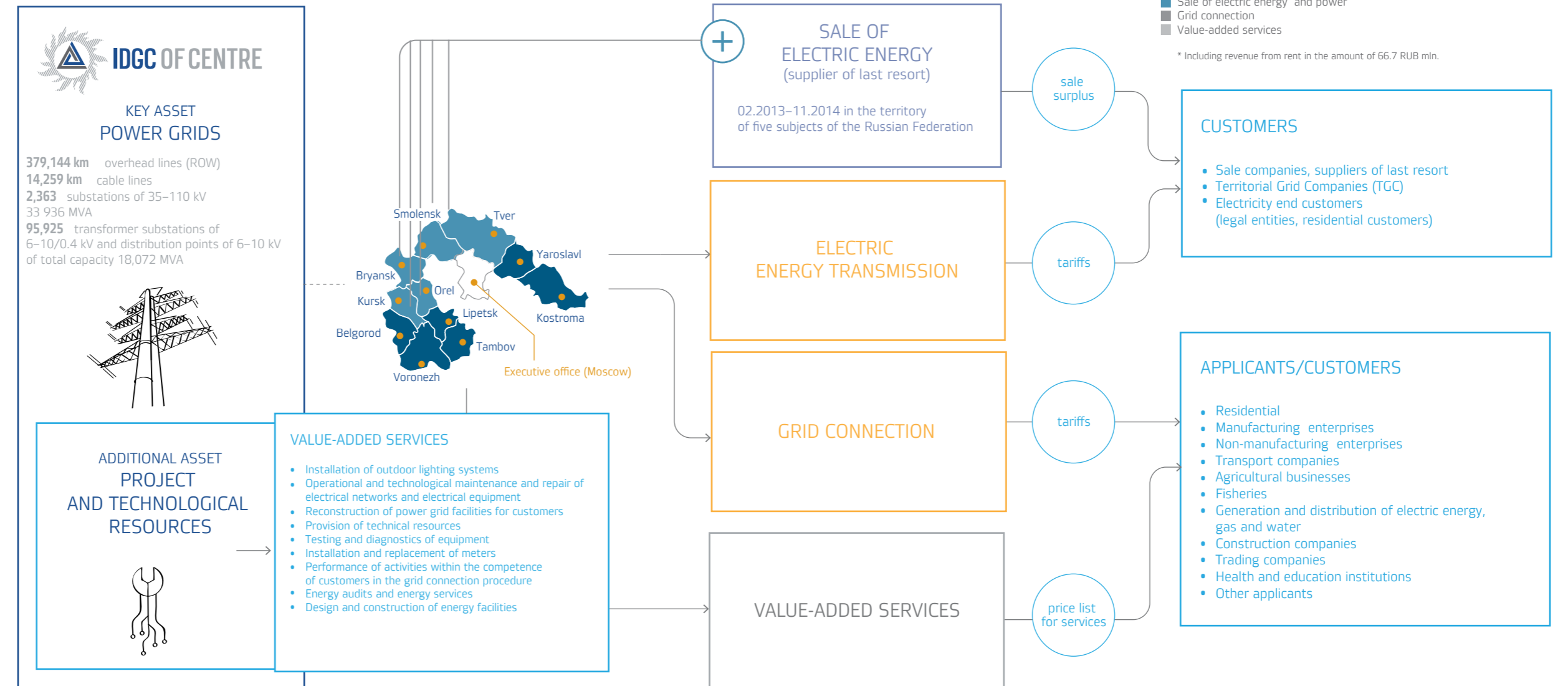


Revenue breakdown of core services in 2014, RUB mln



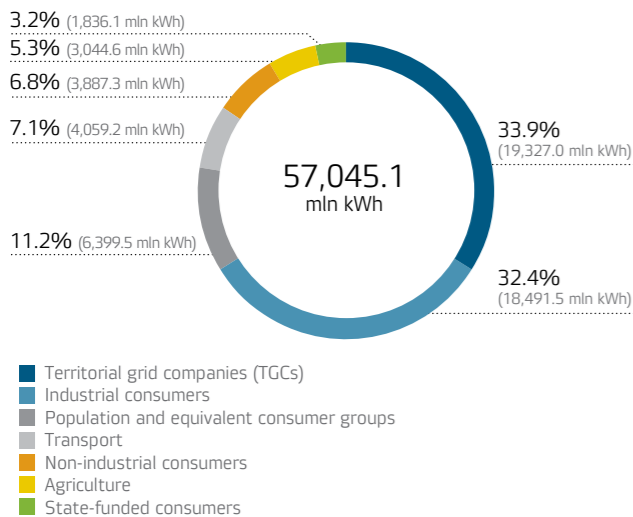
■ Electric energy transmission
■ Sale of electric energy and power
■ Grid connection
■ Value-added services

* Including revenue from rent in the amount of 66.7 RUB mln.



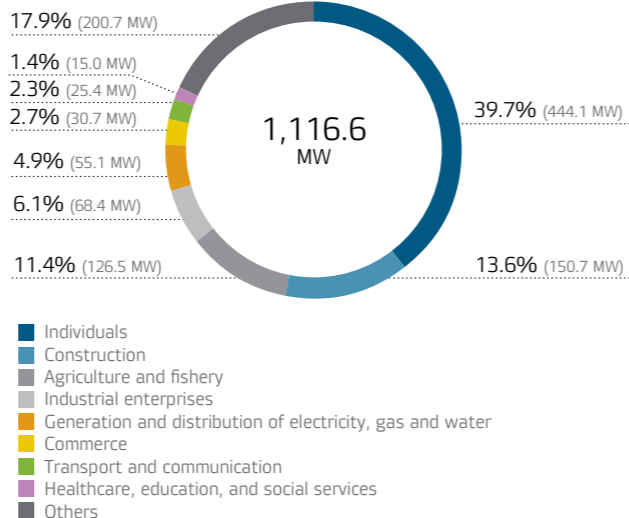
KEY CUSTOMERS

Electricity output from the grid by consumer category for 2014, mln kWh, %



The Company's main activities are electricity transmission and grid connection of new customers.

Maximum connected power by industry for 2014, MW



Interaction with consumers is performed in accordance with the "System for Centralised Servicing of Consumers", approved by the Board of Directors of the Company.

Forms of consumer services

Number of calls over 2014			Variance, 2014/2013, %
Face-to-face	299 customer service offices	327,404	5.8
Remote	Direct line with energy specialists	556,097	-38.8
	Hotline	552,360 (call centre)	-39.0
	Customer boxes in customer service offices	3,737 (in writing)	4.2
	Mail		
Interactive	E-mail	7,075	152.1
	Internet Reception at the Company's website		
	Consumer's personal account		
	Others	26,649	-51.7
Total		917,225	-28.1

The Company received 917,225 consumer calls in 2014. 28.1% fewer calls were recorded during the year with 31% fewer complaints and 25% fewer calls to notify of blackout.

Performance indicators for Company relations with consumers is the assessment of service reliability and quality. This indicator in 2014 for all Company branches will

be within the target range approved by Russian executive authorities responsible for state regulation of tariffs.

Customer can assess the Company's performance by completing a questionnaire in the Internet Reception.

EVENTS IN 2014 TO IMPROVE CONSUMER RELATIONS:

- Customer service offices are provided with information materials and equipment as stipulated by the Uniform Service Standards of Grid Companies.
- Interactive consumer service process profiles are published on the Company's corporate websites. Consumer service process profiles are placed on information boards in customer service offices.
- Q&A page on the Company's corporate website contains

- answers to the consumers' most frequent questions;
- Employees who interact with consumers had Customer Relations training.
- Short telephone number 13-50 was established to receive calls from customers of the IDGC of Centre branches.
- More than 30 round tables and meetings with consumers were held to discuss the servicing procedure.

SERVICE CONSUMER COUNCIL

The Consumer Council set up in 2013 will continue its work in 2014 to optimise and coordinate consumer relations within the Company. IDGC of Centre included 70 representatives of such regional public organisations as Delovaya Rossiya and OPORA OF RUSSIA, chambers of industry and commerce at the regional and municipal levels, major electricity consumers (OJSC Oboronenergo, Bryanskobelektro LLC, Gagarinsky Engineering Works LLC, OJSC Rastmaslo, Znamensky SGC LLC etc.), SMEs, and housing utilities consumers, representatives of regional energy commissions.

The agenda of the Consumer Council meetings in 2014 was as follows:

- Developing methodology for setting tariffs for reserved power, procedure for power reservation, and rejection of non-utilised power.
- Determining a procedure for electricity tariff regulations to compensate for loss from renewable energy sources (hereinafter, RES) without including the costs of cattle production waste recycling expensed as production cost.

- Preparing amendments to legislation of the Russian Federation.

The Company plans to improve the quality of interaction with consumers in 2015:

- Implement the system of appointments for consumers visiting customer service offices.
- Build an interactive knowledge base for employees in customer service offices.
- Change scenarios for processing of consumer calls to provide the fullest information of interest to consumers.
- Automate the process of planning Company employee visits to consumers.
- Send SMS-messages regarding the status of compliance with grid connection requests and inform the population about target and emergency work related to blackout and the need to replace meters.
- Expand the capabilities of the Personal Account regarding electricity transmission services and additional services.
- Train personnel directly involved in consumer relations.



System for Centralised Servicing of Consumers.



List of customer service offices.



Internet Reception.

Address from the chair of the board of directors to shareholders and investors

DEAR SHAREHOLDERS AND INVESTORS,

The year 2014 was a jubilee year for IDGC of Centre, as the group celebrated its ten-year anniversary. From the very beginning, the Company has developed systematically and dynamically, strengthening its market position, introducing the latest technology and integrating new areas of business thanks to the professionalism and coordinated efforts of all employees. Today, IDGC of Centre is an integral part of economic development and improving quality of life in the regions in which it operates.

IDGC of Centre utilises hi-tech resources to develop successful, innovative projects related to the modernisation of the electrical grid and operational technology. The Company strives to achieve maximum efficiency in delivering electricity to all of its customers.

ACHIEVEMENT OF TARGETS

The year 2014 became yet another important stage in the Company's development. Despite the fact that our business field reacts sharply to changes in external economic conditions and directly depends on the government's tariff policies, the Company stood up to all difficulties in 2014. It is with pride that we can say that the Company surpassed forecasts for economic indicators and achieved significant results at improving electric energy transmissions in its grids.

The Company was able to decrease the level of loss in its grids, which testifies to the successful implementation of the energy-saving and increased energy-efficiency Programme approved by the Board of Directors. Since the implementation of an integrated energy saving operational system and the increase of energy efficiency in 2011, the Company's energy efficiency has grown by 26%.

STRATEGIC PERSPECTIVES

The priority of the Company's Power Grids Development Strategy is reliable, high quality, and affordable energy supply to consumers. The Company will stay committed to improving its operations and investment efficiency, supporting financial stability, upgrading and innovating its power grids.

Successful realisation of these goals is well within reach. Overall the financial results for the last year exceeded 3.3 billion roubles in accordance with RAS financial statements. I would like to note the contribution of

employees, managers and members of the Board of Directors to the Company's success. Only the well-coordinated efforts of all members of our Company allow us to look confidently to the future.

Our clients and partners deserve particular respect. All of our efforts are directed at the steady development of cities and companies, thus the development of our client services is a priority task for the Company.

IDGC of Centre has an important challenge ahead. When achieved, it will mainly define the level and rate of the economic development in Russian regions in the Company's service area. We have all grounds to believe that our Company will be a success and continue to benefit the power grid industry and our shareholders.

OKSANA SHATOKHINA,
Chair of the Board of Directors
IDGC of Centre, JSC



Address from the general director to shareholders and investors

DEAR SHAREHOLDERS AND INVESTORS,

Our priorities for the year 2014 became the optimisation of operating expenses, a decrease in electricity losses, and retaining dividend payouts. The Company's resources were directed at eliminating the impact of natural and weather-related occurrences, the modernisation of our resource base, and minimising the negative impact of the economic recession. The Company has once again proven its ability to cope with difficulties and the right to maintain a leading position in quality and reliability of electricity supply in the sector.

FINANCIAL STABILITY

Following the results of 2014 the Company's revenue from electricity transmission in comparable conditions grew by 0.9% to 75.9 billion roubles. Earnings before interest, taxes and amortisation (EBITDA*) grew by 35.7% to 15.6 billion roubles. The Company's net profit totals from last year grew more than eleven times to 3.3 billion roubles. Our share in the electricity transmission and grid connection market reached 83.9% and 87.9%, respectively.

*The EBITDA indicator is calculated based on the following formula: net profit + tax on profit and other analogous required payments + interest on payment + interest received + amortisation.

GROWTH OF PRODUCTION ASSETS

IDGC of Centre completed a series of important projects relating to power supply of large industrial enterprises and residential construction projects. Putting hi-tech substations into service provided for optimisation of the power supply circuit for consumers, solved the problem of grid limitations, and created a reserve of capacity for dynamically developing regions in its service area. The construction of new power lines and the renovation of old ones allow to significantly increase the transmission capacity of power lines and improve the reliability of consumers' electric power supply.

In the reporting year, the Company commissioned 1,107 MVA of new capacity and constructed 5,110 km of power lines. The investment in 2014 totaled RUB 12.2 billion with 56% spent to retrofit and reconstruct the existing facilities and the remaining portion invested in customer grid connections.

REDUCTION OF ENERGY LOSSES

During the reporting year, the Company managed to reduce electricity losses by 0.1 percentage points as calculated under comparable conditions at the expense of the successful implementation of the program of energy saving and energy efficiency. The net effect from its performance was 196.6 million kWh (529.2 million RUB).

INCREASE IN CONNECTED CAPACITY

As part of activities related to grid connection, the Company has increased the amount of fulfilled agreements for new connections from 43.4 thous. to 50.3 thous. Total connected capacity now amounts to 1,116 MW, which is 9.7% greater than the previous year. Large-scale projects related to the grid connection of a series of enterprises with key significance for the development of locations in the Central Federal District were completed.

SUCCESSFUL IMPLEMENTATION OF THE FUNCTIONS OF A SUPPLIER OF LAST RESORT

An important event in 2014 was the transfer from IDGC of Centre of the functions of a supplier of last resort in the Orel, Bryansk, Kursk, Tver and Smolensk Regions to winners of tenders held by the Russian Ministry of Energy. The Company generated additional revenue of 8.3 billion roubles

from sales. Throughout the entire period as the supplier of last resort, IDGC of Centre paid 100% on the electrical energy and power wholesale market, maintaining reliable and uninterrupted power supply to its customers.

REDUCTION OF ADMINISTRATIVE EXPENSES

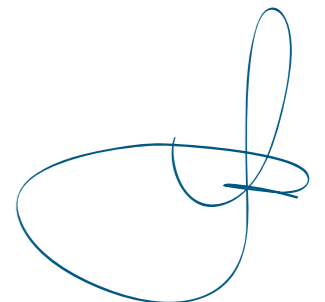
Within the Expense Management Programme implementation significant results were obtained as concerns a decrease in expenses for rent, finance lease and consulting. Moreover, personnel expenses were optimised and a series of measures were taken to identify non-metered and non-contracted electricity consumption. The aggregate effect of the Expense Management Programme is measured against last year's totals as 1.5 billion roubles. In accordance with a directive from the government of the Russian Federation, administrative expenses at IDGC of Centre were successfully lowered by 15% year-on-year in 2014.

HIGH LEVEL OF CORPORATE GOVERNANCE

IDGC of Centre maintains an invariably high level of corporate governance. In 2014, the non-profit organisation "The Russian Institute of Directors" affirmed the Company's level at 7+ on the National Rating of Corporate Governance, "Developed Corporate Governance Practice". The Company's adherence to the highest standards of corporate governance and disclosure remain our competitive advantages.

We can say with confidence that the main indicators of the Company's activity for the year testify to the stability of the Company's business and confirm the effectiveness of our chosen development model. The Company will continue to fulfil its strategic tasks, focusing on ensuring long-term power supply to consumers, taking into account the interests of all stakeholders.

OLEG YU. ISAEV,
General Director
IDGC of Centre, JSC





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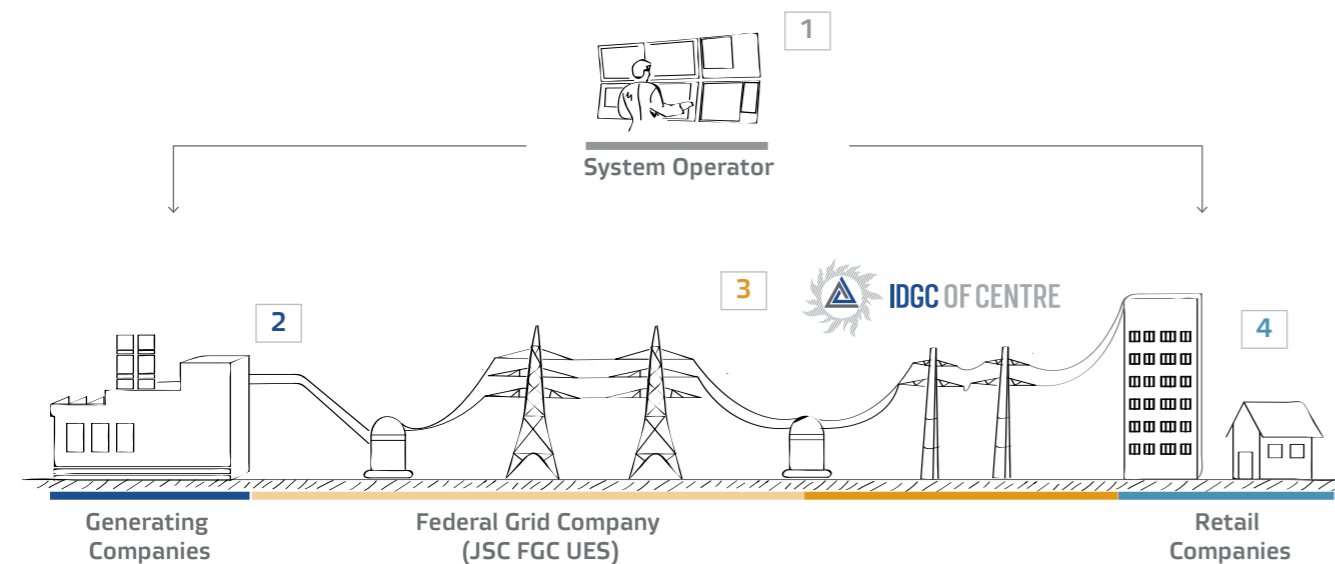
Development strategy

MARKET OVERVIEW

STRUCTURE OF RUSSIA'S ELECTRIC ENERGY INDUSTRY

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

transmission and supply of electricity and power. The reform resulted in creation of several independent joint stock companies divided by type of business.



1. System Operator (JSC SO UPS)

Manages the power system. (seven Unified Energy Systems: East, Siberia, Urals and Middle Volga, South, Centre and North-West, which in turn comprise 69 regional power systems)

3. Federal Grid Company (JSC FGC UES)

Transmits electricity through HV networks of 220+ kV.
Grid companies. Transmits electricity through 04–110 kV grids (total: more than 10,700 power lines of 110–1150 kV; 2,647.8 thous. km – the length of power lines of all voltage levels)

2. Generating Companies

Generate electricity (about 700 power plants of over 5 MW)

4. Retail Companies

Supply electricity and power to consumers

KEY INDUSTRY INDICATORS

The power sector is one of the leading sectors of the Russian economy, accounting for about 3% of Russia's GDP. Therefore, the power sector is influenced by the economic situation as a whole.

Economic growth slowed sharply in 2014. According to preliminary estimates from Rosstat, GDP grew by 0.5% versus 1.3% in 2013. This slowdown was mainly caused by a decline in oil prices worldwide, as well as by EU and US sanctions imposed on Russia. GDP slowdown was also due to changes in consumption trends and fixed capital accumulation.

Development of industrial facilities in 2014 was characterised by stagnation in production, low productivity growth, a slowdown in fixed capital investment growth, and significant deterioration in the financial situation of enterprises, including their solvency.

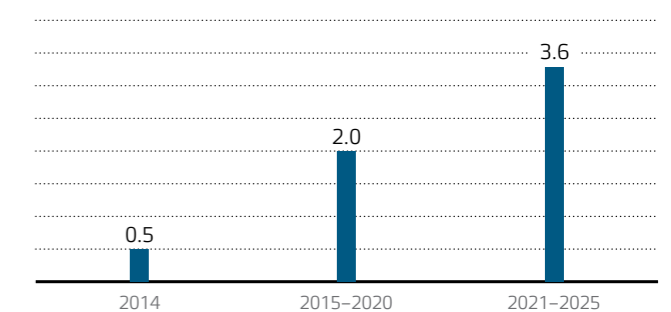
The average annual growth rate of the Russian economy after the expected end of the oil crisis is estimated to be 3.5% in 2020–2030, which corresponds to the world economic growth rate.

The Electricity, Gas and Water Production and Distribution Index is expected to be 99.9% of the 2013 figure in 2014. Given the expected economic growth in Russia, by 2017, electricity production is planned to reach 1,077.4bn kWh (101.7% relative to 2013), while electricity consumption on the Russian market will increase to 1,071bn kWh (102.4% relative to 2013). Considering that electricity consumption on the domestic market is strongly related to temperature levels, the production and consumption rate may fluctuate in the range of 0.3 to 0.6% per year, depending on the temperature deviations from the long-term averages.

1,035 bn kWh
or 0.4% against 2013 energy consumption growth in 2014

1-1.5%
Long-term forecast of energy consumption growth rates

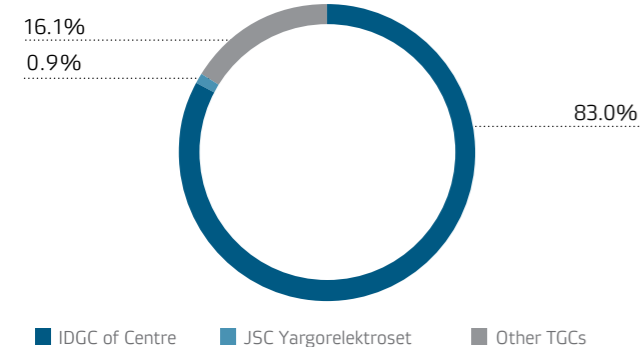
Changes in GDP depending on different scenarios of economic development according to the Ministry of Economic Development of Russia (average annual growth rate, percentage points)



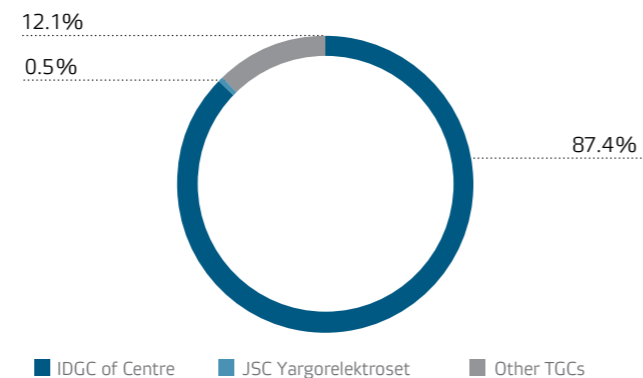
MARKET POSITION

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

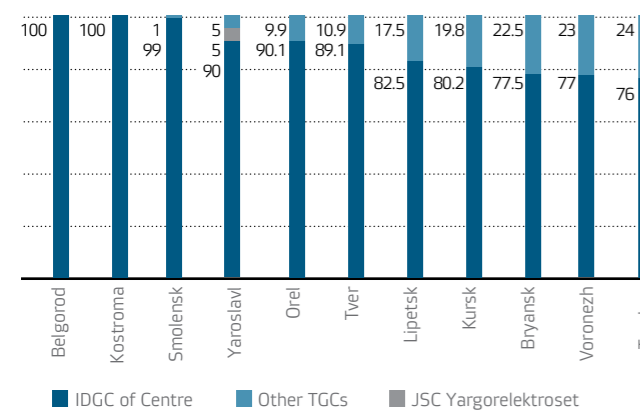
Share on the Electricity Transmission Market, %



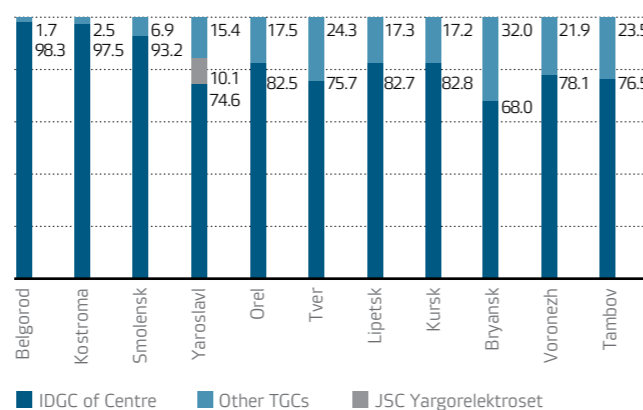
Share on the Grid Connection Market, %



Share on the Electricity Transmission Market, %



Share on the Grid Connection Market, %



Major Competitors:

1.	Belgorod	Federal State Unitary Enterprise South-Eastern Railways (Belgorod)
2.	Bryansk	Bryanskoblectro LLC
3.	Voronezh	Municipal Unitary Enterprise Voronezh Gorelektroset
4.	Kostroma	Energoservis LLC (Kostroma)
5.	Kursk	JSC Kursk Power Grids
6.	Lipetsk	JSC Lipetsk Municipal Power Company
7.	Orel	JSC Oreoblenergo
8.	Smolensk	JSC EIS-Avance (Smolensk), JSC Oboronenergo (Smolensk)
9.	Tambov	JSC Tambov Grid Company, JSC Tambov Utilities
10.	Tver	Tveroblektro LLC, Municipal Unitary Enterprise Tvergorelektro
11.	Yaroslavl	JSC Yargorelektroset, JSC Rybinsk Municipal Power Grid

INVESTMENT APPEAL FACTORS

Based on numerous indicators, IDGC of Centre in one of the leaders in the distribution grid sector. This leading position is driven by key factors of the Company's investment attractiveness:

1. Present in 11 regions of Central Russia with sustainable economic growth perspectives.
2. Leadership in innovations implementation in the sector.
3. The development of additional services in electric energy sector.

4. Dividend policy and positive dividend history.
5. High level of corporate governance (LCG 7+). Information disclosure.
6. High transparency.
7. Sustainable financial position.
8. Standard & Poor's credit rating BB/B/ruAA.
9. Reasonable credit policy: weighted average 9.77%.

Perspective areas of development of IDGC of Centre see on p. 137

BENCHMARK OF IDGC OF CENTRE AND OTHER SECTOR COMPANIES IN 2014

Capitalisation (December 30, 2014), RUB bn

No 3	
MOESK	64.8
IDGC of Central and Volga Regions	12.0
IDGC of Centre	11.5
IDGC Siberia	8.7
IDGC Volga	5.5
IDGC Urals	5.4
Lenenergo	3.1
IDGC of the North-West	2.4
IDGC of Northern Caucasus	1.8
IDGC of the South	1.6

Trading Volume on MICEX (2014), RUB mln

No 2	
MOESK	8,792.7
IDGC of Centre	1,594.8
IDGC of Central and Volga Regions	555.8
IDGC Volga	320.4
Lenenergo	196.7
IDGC of the North-West	158.3
IDGC of the South	125.9
IDGC of Northern Caucasus	94.5
IDGC Urals	88.5
IDGC Siberia	35.7

Dividends (2013), RUB mln

No 7	
MOESK	2,910.2
IDGC of Central and Volga Regions	634.5
IDGC of Northern Caucasus	134.4
Lenenergo	106.2
IDGC Urals	89.2
IDGC of the North-West	76.6
IDGC of Centre	76.0
IDGC Volga	17.9
IDGC of the South	7.0
IDGC Siberia	0.0

RAS Revenues (2014), RUB bn

No 2	
MOESK	125.3
IDGC of Centre	86.7
IDGC of Central and Volga Regions	69.2
IDGC Urals	59.6
IDGC Siberia	57.4
IDGC Volga	46.0
Lenenergo	44.7
IDGC of the North-West	44.3
IDGC of the South	28.9
IDGC of Northern Caucasus	13.5

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

RAS EBITDA* (2014), RUB bn

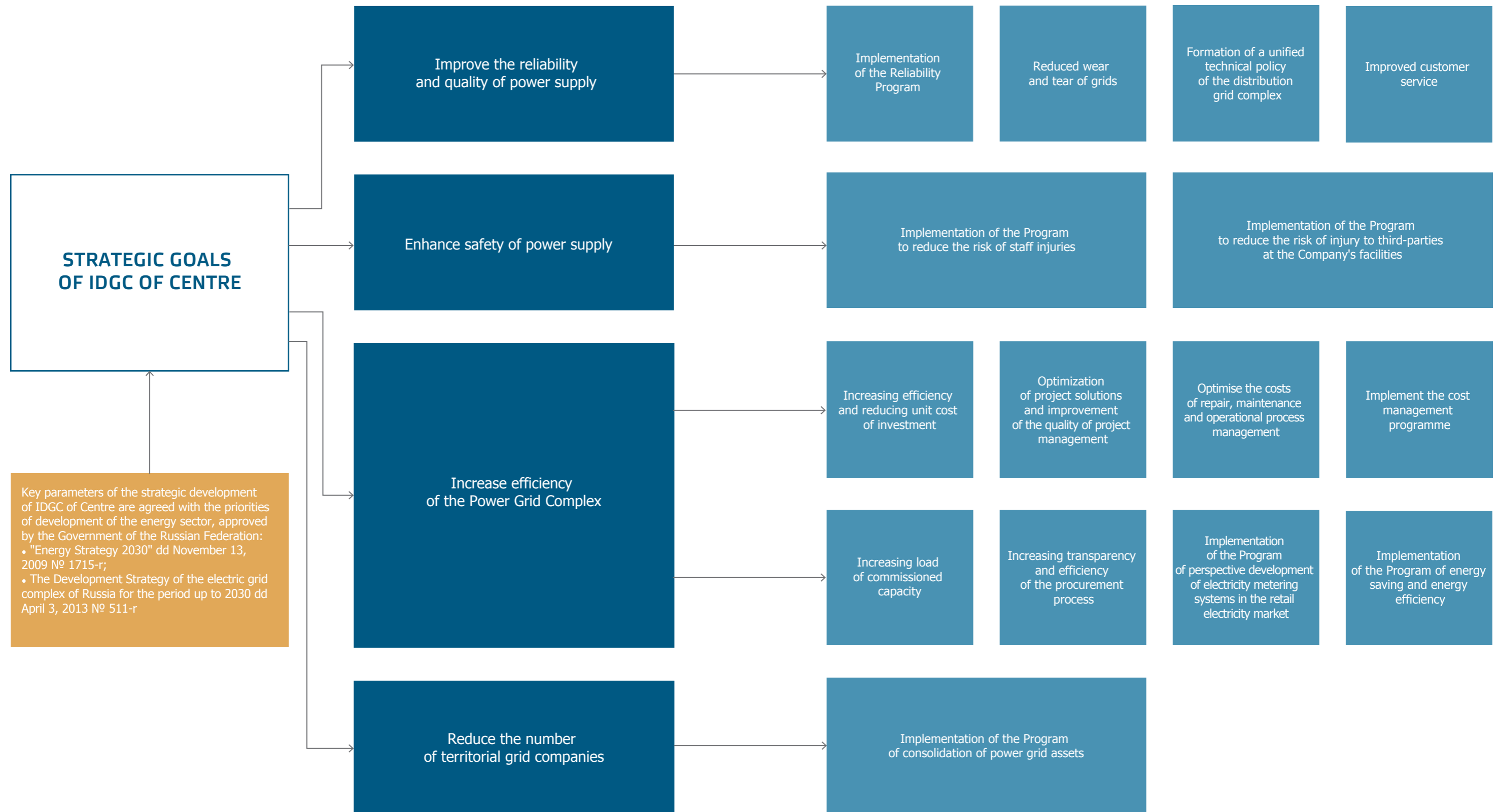
No 2	
MOESK	36.5
IDGC of Centre	15.6
IDGC of Central and Volga Regions	9.9
IDGC Urals	7.2
IDGC Volga	6.8
IDGC Siberia	6.1
IDGC of the North-West	4.6
Lenenergo	1.6
IDGC of Northern Caucasus	0.3
IDGC of the South	-1.5

* Calculation of IDGC of Centre as per the formula: net profit + income tax and other similar obligatory payments + interest payable – interest receivable + depreciation.

RAS Net Profit (2014), RUB bn

No 2	
MOESK	8.2
IDGC of Centre	3.3
IDGC Urals	2.0
IDGC of Central and Volga Regions	1.4
IDGC Siberia	0.1
IDGC Volga	0.0
IDGC of the North-West	-0.6
IDGC of Northern Caucasus	-1.6
IDGC of the South	-6.9
Lenenergo	-8.0

DEVELOPMENT OF STRATEGIC PRIORITIES



IMPLEMENTATION OF STRATEGICAL PRIORITIES IN 2014

IMPROVE THE RELIABILITY AND QUALITY OF POWER SUPPLY

Within the Unified Technical Policy for PGC:

- Standard terms of reference were updated for the design & survey work, construction & installation work and delivery of 35–110 kV equipment based on indicators of progressive technical solutions implemented in the new construction, retrofitting and upgrading projects, which are determined by the technical policy.
- Comprehensive development programmes for 35+ kV power grids were implemented.

Functional short telephone number 13–50 was established for receiving calls from customers of the Company's branches.

Interactive profiles of services (processes) that the Company provides to consumers are published on the Company's website.

The number of technological violations at the facilities decreased by 28.9%. The specific accident rate fell by 31.5% in 2014 versus 2013.

ENHANCE SAFETY OF POWER SUPPLY

The occupational injury rate decreased by 28.6% in 2014 relative to 2013, and by 54.6% relative to 2011 and 2012.

The Company spent RUB 500.1mln on occupational safety measures, which is 5.9% more than in 2013.

SAP-based Corporate Resource Management Information System Automated Processes of Planning, Procurement, Accounting for Overalls and Special Equipment was put into operation.

INCREASE EFFICIENCY OF THE POWER GRID COMPLEX

Increase Efficiency of the Power Grid Complex:
In 2014, capital investment was spent on the following:

- retrofitting and upgrading (55.8%);
- new construction (43.8%).

To reduce specific investment costs, the following measures were taken:

- Clear division of connections relating to power lines and substations was ensured when adopting the investment programme and reporting on its implementation.
- The cost approval procedure for investment projects before trading and procurement was developed and applied with regard to the cost of investment projects.

Energy saving and loss reduction:
Losses during supplies to the grid were 9.17% versus

9.00% under comparable conditions 2012 (considering 'Last Mile' facilities). Plan fulfillment in terms of losses – 106.6%. The technological effect of implementing measures to reduce electricity losses amounted to 196.6mln kWh, with the economic effect being RUB 529.2mln.

Improve the efficiency of operating costs:
In 2014, the Cost Management Programme resulted in an effect totalling RUB 1.5bn, including the effect of cost reduction amounting to RUB 1.4bn.

An information system was implemented that made it possible to simulate scenarios and evaluate options of the maintenance and repair programme.

REDUCE THE NUMBER OF TERRITORIAL GRID COMPANIES IN THE AREA OF OPERATION

In 2014, power grid facilities were purchased and leased as part of consolidation in the following amounts:

- 719 MVA installed capacity;
- 5.5 thous. km power lines.

The amount of power grid assets consolidation totalled 27.6k c.u.

PLANS FOR 2015

Strategic goals of IDGC of Centre





02

Capacity report

CHARACTERISTICS OF ASSETS

IDGC of Centre manages the following assets*

Asset name	Measuring units	2012	2013	2014
Substations 0.4–110 kV	pcs	95,262	96,849	98,288
Installed capacity	MVA	50,413	51,312	52,008
SS 35–110 kV	pcs	2,358	2,359	2,363
	MVA	33,104	33,562	33,936
SS 6–35/0.4 kV	pcs	92,904	94,490	95,925
	MVA	17,310	17,749	18,072
Transformer substations, 6–10/0.4 kV	pcs	92,214	93,793	95,183
	MVA	16,696	17,227	17,592
Distribution points, 6–10 kV	pcs	690	697	742
	MVA	613	522	479
Overhead lines route length, 0.4–110 kV	km	376,008	378,118	379,144
Conductors 110 kV and more	km	21,570	21,596	21,601
Conductors 35 kV	km	30,392	30,378	30,390
Conductors 6–10 kV	km	169,942	170,645	171,230
Conductors 0.4 kV	km	154,105	155,498	155,923
Cable lines length, 0.4–110 kV	km	13,033	13,846	14,259
Cables 110 kV and more	km	15	35	36
Cables 35 kV	km	11	20	26
Cables 6–10 kV	km	6,943	7,322	7,552
Cables 0.4 kV	km	6,064	6,469	6,645

* Taking into account leasing, rental and equipment maintenance contracts.

Specific fault rate in 2012–2014

Indicator	Measuring units	2012	2013	2014	Deviation 2014/2013, %
Number of interruptions	items	41,659	29,265	20,797	-28.9
Specific fault rate	items per 1 thousand items of equipment	26.2	18.1	12.4	-31.5

The level of deterioration of IDGC of Centre electric grid facilities is 73.2% as at December 31, 2014, including:

Name of asset	Deterioration level, %
Overhead lines, 0.4–110 kV	74.5
Cable lines, 0.4–110 kV	58.8
Transformer equipment, 3–110 kV	77.3
Switching devices, 3–110 kV	65.9
Substation equipment, 3–110 kV	72.4
Total deterioration of the organisational unit	73.2

The standard service life of facilities is taken into account when calculating the deterioration of assets:

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

ASSET MANAGEMENT SYSTEM

The high level of the transmission facilities' deterioration poses the need for improving asset management efficiency. In this regard, IDGC of Centre decided to create an Asset Management System (hereafter AMS) in 2006.

The company's AMS development required elaboration of new approaches to the management of power grid companies' production assets. The AMS has been fully implemented today.

The Asset Management System allows the Company to solve the following issues:

<p>To reduce the costs of equipment maintenance and elimination of the consequences of its failures by means of:</p>	<p>To ensure transparency and validity of decisions, efficient interaction between the departments, head office, shareholders and authorities:</p>	<p>To improve the efficiency of asset management task planning and monitoring by means of:</p>	<p>To increase the efficiency of task description, maintenance and repair services implementation using handheld mobile devices (Mobile solutions tools):</p>
<ul style="list-style-type: none">▪ alignment of priorities in making fund allocation decisions – primarily funds go to the equipment in the worst condition and having the greatest failure consequences;▪ justified determination of the optimal amount of funds ensuring equipment reliability for the company as a whole and of each business unit in particular	<ul style="list-style-type: none">▪ each object of the repair and replacement programme has a rationale for its inclusion, which is simple and understandable not only for technical experts;▪ the possibility of repair and replacement programme options' modelling with different amounts of funding allows us to prove the optimality of the decisions made	<ul style="list-style-type: none">▪ ensuring that the company's management and divisions have objective and sufficient information to establish economically sound equipment repair and replacement programmes;▪ changing the principles for repair and formation of replacement plans: instead of the approach where the request, formed at the bottom level, receives or fails to receive approval at the top level, a new principle has been implemented, where the task is set at the top level, and is to be carried out at the bottom level;▪ a possibility of automatic formation/revision of equipment repair and replacement programmes in case of changes in the business objectives and priorities	<ul style="list-style-type: none">▪ enhancement of input data reliability;▪ reduction of time spent on feeding information into the system to determine its technical condition;▪ reduction of the time spent on preparation of external examination, measurement and test reports;▪ provision of all the necessary documentation diagnostics;▪ measuring the progress and time of works

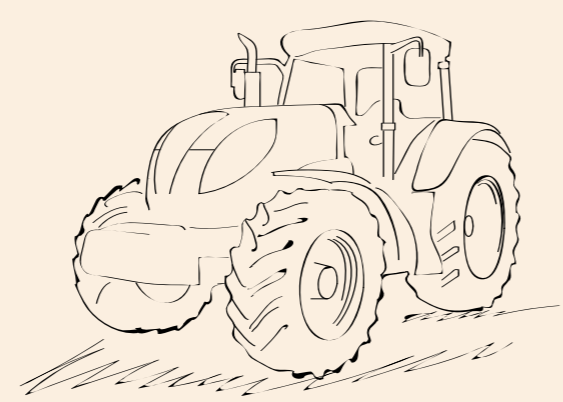
SOVETSKY DISTRICT, KURSK REGION

AGRICULTURAL DEVELOPMENT
POTENTIAL

MANSUROVO SUBSTATION

The Kurskenergo branch has finished building the 35/10 kV Mansurovo substation in the Sovetsky district of Kursk Region. The new power centre was built to provide grid connection to power grids for a branch of major properties of CJSC Mansurovo Agricultural Complex, which is one of the greatest investment projects in the region.

Building a modern agricultural facility requires extra electricity capacity. At present, a dairy farm for 1,200 cattle heads, an elevator for 40 k tons of grain, a machine and tractor station with a training and service centre, and a seed plant with a production capacity of 5 t/hour are being commissioned. Construction of a pig farm for 55,000 pigs per year, a dairy plant (50 t/day), a fodder plant (8,000 t/year), and a meat processing plant (24 t/shift of meat on bone) is in process. A horse farm of the Russian Trotter breed is being developed. The complex is scheduled to reach its full design capacity in 2015.



The Mansurovo substation has comprised the most advanced technologies and is currently one of the most high-tech substations in the Kursk Region. On an area of 900 square meters, there are a strong power transformer, a 35 kV vacuum switch, and a module building of 10 kV outdoor switchgear. The data collection and transfer system of the facility provides process control and enables remote control of the equipment. A 1.6-km 35-kV Kshen – Rog. Kolodez power line was built to connect the Mansurovo substation with the regional energy system.

PRISTENSKY DISTRICT,
KURSK REGION

VOZROZHDENIYE SUBSTATION

The Kurskenergo branch has commissioned the 110/10 kV Vozrozhdeniye substation, which had been built under the grid connection contract for properties of MIRATORG-Belgorod Group, the biggest association of agricultural enterprises in the Belgorod and Kursk Regions.

The first facilities to be connected to the grid via the new power centre became a closed-cycle pig farm and a veterinary sanitary utilisation plant with a total capacity of 2.5 MW. The commissioning of the new energy facility improved the quality of power supply to the nearby town of Kirovsky.

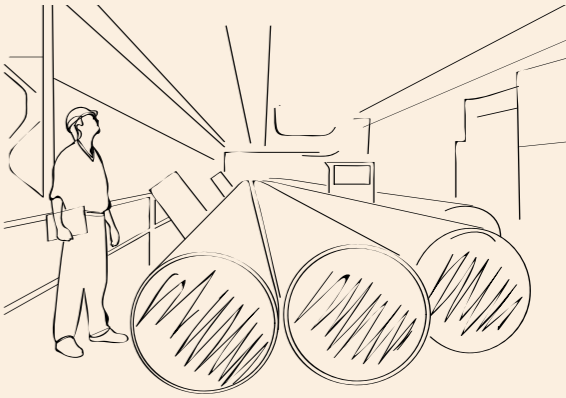
The Vozrozhdeniye substation has two power transformers with a total capacity of 20 MVA (2x10 MVA). Their capacity was selected so that in the case of one transformer’s failure, the other one would provide all the load that is required for the property. The new power centre has the most state-of-the-art electrical equipment, which provides the required power supply reliability for consumers and reduces further costs of its repair and maintenance. New innovative developments in teleautomatics and IT technologies have been used as well.

VOLGORECHENSK, KOSTROMA REGION

NEW JOBS FOR
THE LOCALS

The purpose of retrofitting the KPD substation was grid connection of two major investment projects in the Kostroma Region. Electricity from the KPD substation will be supplied to the new medium diameter pipe plant for the oil industry of OJSC Gazpromtrubinvest and a drilling plant factory of National Oilwell Varco, an American company. Commissioning of new industrial facilities is an important step for the Kostroma Region in further development of its industrial potential. In addition, these investment projects will let the city of Volgorechensk prove its status of a high-tech information site and create new jobs for the Region residents.

For capacity increase, the substation has got two new 110 kV transformers with a capacity of 25 MVA each. Upgrading of high-voltage equipment included installation of 110 kV disconnecting switches with main and grounding knife drives, and the obsolete system of separators and 110 kV short-circuiters was replaced with SF6 switches. Oil current transformers and voltage transformers were replaced with new SF6 equipment with a longer lifetime that does not require constant maintenance. New microprocessor protection systems have been put



into operation, a modern telemechanics system shall be installed, and high-speed communication channels with fibre optic lines have been organised.

All the equipment is automated. The system of operating direct current with a battery provides for a significant increase of the substation equipment reliability in normal and emergency conditions.

KRASNOGVARDEYSKY DISTRICT,
BELGOROD REGION

ELECTRICITY FOR SETTLERS
FROM HAZARDOUS DWELLING

Within the framework of the regional target programs to move people from emergency housing power engineers of IDGC of Centre provide electricity to new buidings. In 2014, the Company provided electric energy to about 100 new housing facilities. Another 350 new sites are planned to be connected to the grid by the end of 2015.

In Krasnogvardeysky district of the Belgorod region for grid connection of a residential facility a 160 kVA package transformer substation and more than 1.2 kilometers of 0.4–10 kV overhead lines were installed. In Stary Oskol homes for resettlers, orphans and veterans were connected to the grid. For their power supply a package transformer substation was installed and cable lines were laid. In general, in the Belgorod region to provide



new houses with electricity more than six kilometers of overhead and cable lines of 0.4 kV were installed. In total, up to 2017, as noted in the regional government, more than seven thousand inhabitants of the region will be resettled from dilapidated housing, and three hundred houses hazardous for dwelling are scheduled for demolition.

OPERATING RESULTS

ELECTRIC ENERGY TRANSMISSION

The Company holds the leading position on this market, and its market share, according to the 2014 end-year results, was 83.0% and 83.9%, taking into account the subsidiary JSC Yargorelektroset.

The calculation of electricity transmission services is carried out according to the same rates in each region regardless of which power grid company network the customer is connected to. Settlements between power grid companies

are made according to individual rates, established for mutual settlements between pairs of power grid companies.

Customers perform payment transactions with IDGC of Centre for electricity transmission services provided based on uniform (boiler) tariffs. The company, in turn, makes payments for electric power transmission services to other territorial grid companies (TGC) in the region on the basis of individual tariffs.

The scope of power transmission

Indicator	Measuring units	2012	2013	2014	Deviation 2014/2013	
					kWh bn	%
Power supply to the grid	kWh bn	64.0	63.6	62.8	-0.8	-1.3
Net electricity supply (within the balance participation of the Company's branches)	kWh bn	57.9	57.8	57.0	-0.8	-1.4
Power losses	kWh bn	6.10	5.83	5.76	-0.07	-1.2
Amount of power transmission services provided*	kWh bn	55.1	55.2	54.4	-0.8	-1.4

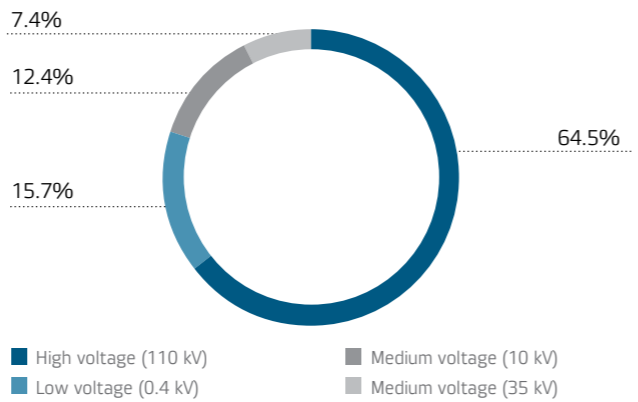
* Taking into account electric energy sold over 2013–2014 when the Company was fulfilling the functions of the last resort supplier.

According to the end-year results in 2014, the amount of power transmission services decreased by RUB 0.8bn (1.4%) compared to 2013. The main reasons for the reduction in the amount of services provided is the termination of the last mile** contracts in 2014, as well as reduction of energy consumption by the following customers.

The major share of IDGC of Centre grid electricity supplies goes through 110 kV networks (64.5% of the total net electricity supply). Industrial enterprises account for 42.1% and TGC account for 43.6% of the total amount of 110 kV net electricity supply.

** See the appendix on page 137 of the Annual Report.

Electric energy supply structure in 2014 by voltage level



The largest high voltage (HV) enterprises belong to the metallurgical industry

	Consumption in 2014, kWh bn	Share of the total volume of productive electric energy supply from the grid of IDGC of Centre, %
Oskol Electrometallurgical Works	3.4	6.0
Novolipetsk Metallurgical Works	3.0	5.3
Mikhailovsky Mining and Metal Works	2.4	4.2

Compared with 2013, there has been a decrease in high voltage electric power consumption due to exclusion from the balance sheet of the amount of electric energy transmitted to the last mile facilities: from 37,629.8mln kWh in 2013 to 36,831.5mln kWh in 2014. Moreover, this is due to reduced production by the following customers:

- Baltnefteprovod LLC, in the Yaroslavl Region, with a 95.6mln kWh (26.8%) decrease in power consumption.
- Gazpromenergo LLC, in the Tambov region, with a 75.5mln kWh (83.0%) decrease in power consumption.
- Gazprom Transgaz Moscow LLC, in the Lipetsk Region, with a 72.1mln kWh (85.8%) decrease in power consumption.

Among customer categories, the most part of electric energy is traditionally supplied to territorial grid companies (33.9%),

industrial customers (32.4%), the general population and equivalent customer groups (11.2%).

See page 10 of the Annual Report for details on key customers

There was an increase in power consumption by the general population in 2014 from 6,072.9mln kWh in 2013 to 6,399.5mln kWh.

In the industrial consumers group, consumption has decreased due to shifting away from the last mile structure: from 19,971.8mln kWh in 2013 to 19,491.5mln kWh in 2014. This reduction is also due to a reduction in production by a number of large companies.

Electric energy consumption from IDGC of Centre grid by the ten largest customers in 2014

No.	Branch name	Customer name	Consumed amount, kWh mln	Share in the net supply, %
Net electric energy supply in 2014			57,045.0	100.0
1	Belgorodenergo	OJSC Oskol Electrometallurgical Works	3,436.9	6.0
2	Lipetskenergo	OJSC Novolipetsk Metallurgical Works	3,005.3	5.3
3	Kurskenergo	KMA Electro LLC (OJSC Mikhailovsky Mining and Metal Works)	2,404.1	4.2
4	Voronezhenergo	SUE Voronezh Municipal Power Grid	1,480.9	2.6
5	Bryanskenergo	Bryanskoblectro LLC	1,411.9	2.5
6	Belgorodenergo	OJSC Stoilensky Mining and Metal Works	1,260.2	2.2
7	Yarenergo	OJSC Yaroslavl City Electrical Grid	1,227.8	2.2
8	Lipetskenergo	OJSC Lipetsk City Power Company	1,044.4	1.8
9	Voronezhenergo	South-Eastern Railways (branch of OJSC RZD)	999.7	1.8
10	Tverenergo	SUE Tvergorelektro	783.4	1.4
Total for the 10 largest customers			17,054.6	29.9

17,054.6 mln kWh
Consumption amount per 10 largest customers

29.9%
Share in the net supply per 10 largest customers

FINANCIAL RESULT

Customers make payments to IDGC of Centre for rendered electricity transmission services under uniform ("joint operation") tariffs. The Company, in turn, makes payment for services for the transmission of electric energy to other TGC of a region region under individual tariffs.

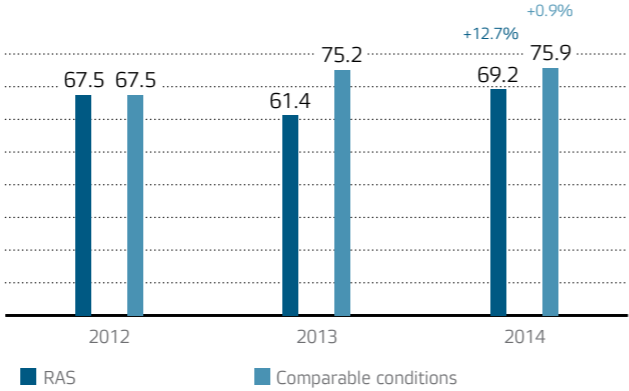
Due to IDGC of Centre's fulfilling the functions of the last resort supplier in 2013–2014, and due to reflection of electric enegry transmission revenue as part of the electric energy sales revenue in the books, to compare the Company revenues received in 2013–2014 for electricity transmission services, data should be brought to comparable terms. The 0.9% increase in revenue from electric energy transmission services in 2014 was mainly due to the growth of tariffs in the reported year.

Since January 06, 2014, there has been a change in the boiler scheme on the territory of the Bryansk region in relation to payments between IDGC of Centre, the last resort supplier TEK Energo LLC, and the territorial grid organisation of Bryanskoblektro LLC (boiler from below). Therefore, identification of the market share based on the revenue from IDGC of Centre electric energy transmission services and costs of settlements with utilities organisation (TCG) is incorrect. The information under comparable conditions is given below:

Factors which caused reduction of IDGC of Centre's own revenue in 2014:

- Reduction in the amount of net electric energy supply among other things due to last mile customers switching to direct settlements with JSC FGC UES.
- Reduction of the cross-subsidisation charge for last mile customers in the Belgorodenergo, Kurskenenergo, Lipetskenenergo and Tambovenergo branches, as well as limited growth in the electric energy transmission tariff for other customers who do not compensate the full amount of cross-subsidies.
- Furthermore, the mean electric energy transmission tariff growth rate is 7% slower than that of the cost of settlements with TGCs.

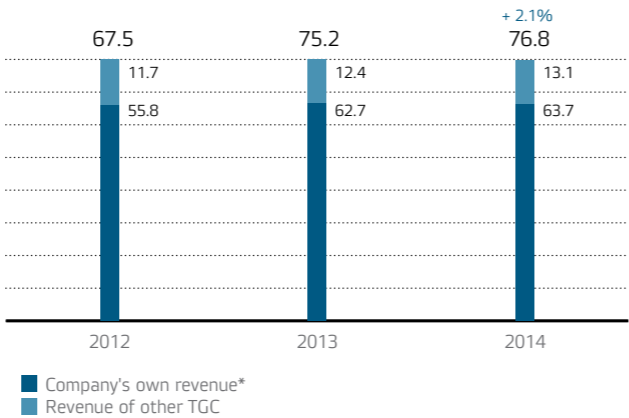
Electric energy transmission revenues, RUB bn



83%

The share of the Company's own revenue from electric energy transmission in 2014

Revenue from power transmission, RUB bn



* This also includes the costs of electric energy transmission services provided by JSC FGC UES, as well as the cost of purchasing electricity for compensation of power losses in the networks of the Company.

Production cost of electricity transfer services

In 2014, the production cost of electricity transfer (in comparable conditions) amounted to RUB 65.8bn, which is a 4% increase in case of the production cost in 2013.

- The growth factors of the production costs of the main business type were as follows:
- +10.8%, increase of depreciation allowance due to commissioning of fixed assets in 2014 in the framework of the investment programme;
 - +9.7%, increase of personnel costs due to salary indexation;
 - +4.2%, increase of the electricity transfer service tariff in the United National Energy System from the side of JSC FGC UES.

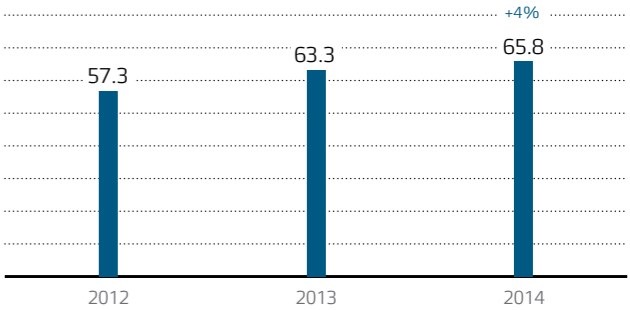
Net profit

- According to the end-year results, in 2014 the Company's net profit from electric energy transmission services has increased by RUB 3.8bn, and has reached RUB 2.8bn. The key factors, which influenced the growth of electric energy transmission net profit, are as follows:
- RUB 722.9mIn (1.0%) increase of revenues for electric energy transmission services.
 - RUB 5,617.5mIn (59.4%) reduction in the negative balance of other income and expenses due to creation of allowances for doubtful accounts.

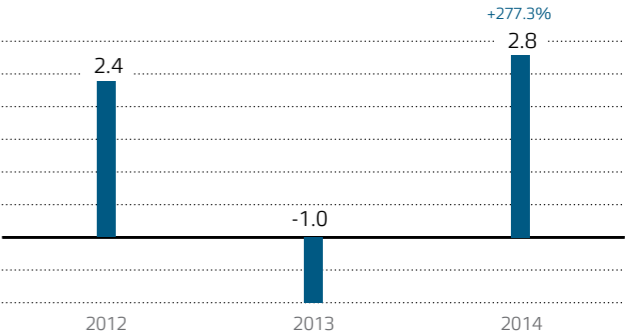


See additional information on electric energy transmission results in Appendix No.2.1 to the Annual Report.

Dynamics of the production cost of electricity transfer services, RUB bn



The dynamics of net profit from electric energy transmission services over 2012–2014, RUB bn



REDUCTION OF ENERGY LOSSES

The Company is implementing a set of measures aimed at optimisation (reduction) of electric energy losses as one of its business priorities.

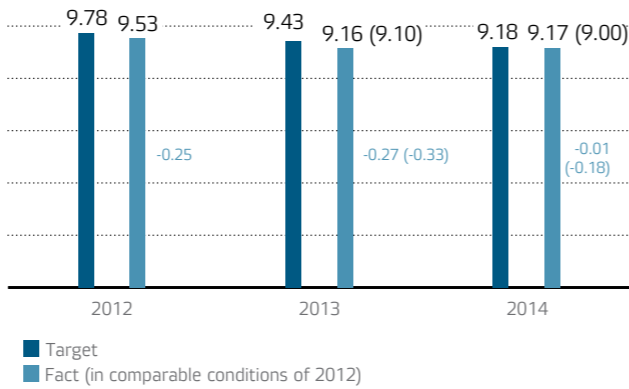
Actual losses of electric energy in grids of IDGC of Centre following the results of 2014 decreased in comparison with the last year by 1.2% and amounted to 5.76bn kWh.

In relation to the amount of electricity that was supplied to the grid by IDGC of Centre, in 2014 the losses amounted to 9.17%, and in 2013, 9.16%. Such dynamics is due to a reduction of the output to the grid, which was largely due to the exclusion of ‘the last mile’ facilities from the electricity balance in the amount of 0.7bn kWh. In conditions that would be comparable with 2012 (where ‘the last mile’ facilities would remain in the Company’s grid), the electricity losses would be reduced by 0.10 p.p., down to 9.0%.

The Company is implementing a set of steps for optimizing (reducing) the electricity losses. In 2014, it modernised over 15 thous. accounting points, having spent RUB 223mln not including VAT. Remote data collection from over 16.4 thous. accounting points was organised.

The measures being implemented can be divided into three groups: organisational measures, technological measures and measures for improvement of electric energy billing and metering systems.

Savings through implementation of loss reduction measures in 2014, % from the supply to the grid



196.6 mln kWh
Effect from implementation of measures to reduce losses in 2014

by 6.6%
the plan to reduce electric energy losses was overfulfilled for 2014

Measures for reduction of electric energy losses in 2014 and their effect

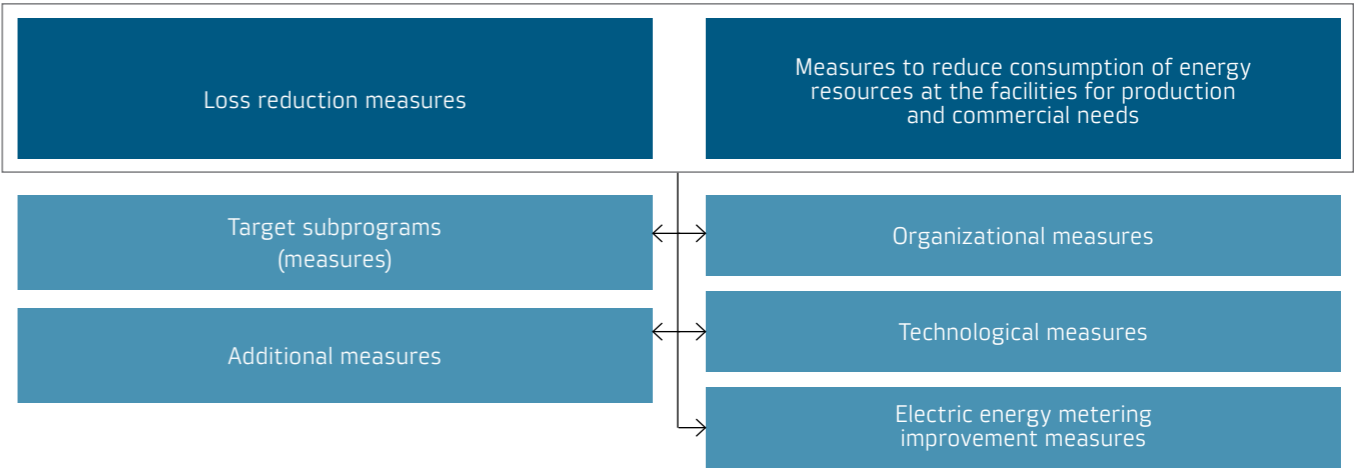
Measures	Annual effect of loss reduction through measures fulfilled, kWh mln
1. Organisational measures	170.7
Of which, key measures:	
Including non-metered consumption into net supply (utilities)	70.2
Payment of non-contractual consumption (grids)	26.7
Transformer shutdown during low load at substations with two or more transformers	8.05
2. Technological measures	12.7
Of which, key measures:	
Replacement of overloaded transformers	6.38
Replacement of 0.4 feeders with self-supporting insulated wire	1.25
Replacement of wire with larger section at overloaded power lines	2.5
3. Measures to improve electrical energy billing and metering	13.2

ENERGY CONSERVATION AND ENERGY EFFICIENCY PROGRAMME

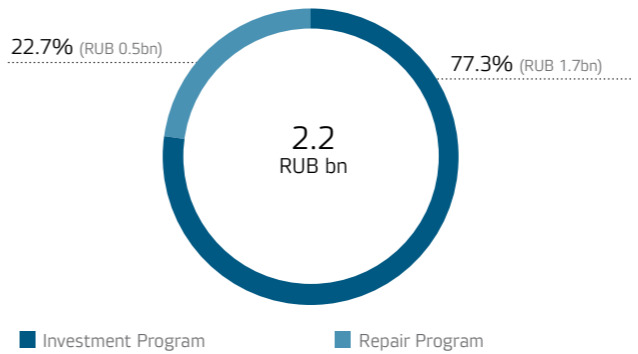
In January 2014 the Company's Board of Directors approved The Energy Conservation and Energy Efficiency Programme for the period 2014–2019 (Minutes dated February 03, 2014 No. 01/14).

In 2014, the cost of implementing energy conservation measures and energy efficiency amounted to RUB 2.2bn. The Programme is financed through investment and maintenance programs of the Company.

The Program of Energy Conversation and Increasing Energy Efficiency of IDGC of Centre



Program implementation costs, RUB bn



DETECTING ILLEGAL ELECTRIC ENERGY CONSUMPTION

Aimed at electric energy loss reduction, IDGC of Centre implements measures for detecting non-contractual and non-metered consumption. In 2014, these measures brought about the following results:



See information on the amount of energy resources consumption 2014 in Appendix No. 2.1 to the Annual Report.

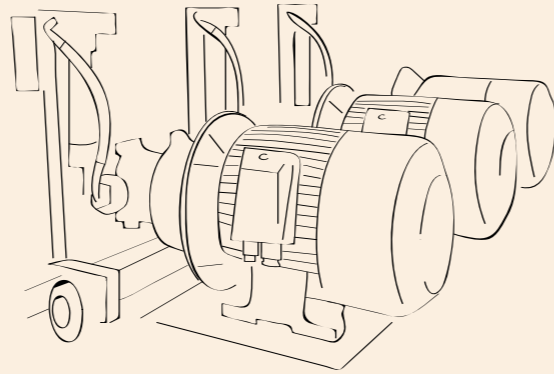
Results of activities to identify illegal energy consumption, performed in 2014

Non-contracted energy consumption	3 thous. acts were drawn up and paid in the amount of 26.7 kWh mln	Amount of recovery was 75.8 RUB mln
Non-metered energy consumption	9 thous. acts were drawn up in the amount of 84.3 kWh mln	Amount of recovery was 136.0 RUB mln
	8.9 thous. acts in the amount of 70.2 kWh mln were included in the volume of services rendered	
Total		211.8 RUB mln

BORISOGLEBSK, VORONEZH REGION

FRESH WATER FOR PEOPLE
IN CITIES AND TOWNS

In the second biggest city of the Region, Borisoglebsk, IDGC of Centre upgraded the Tantsyrey 35/10 kV substation with replacement of 2 x 2.5 MVA transformers with 2 x 6.3 MVA transformers. As a result, the capacity of the facility was increased by 2.5 times, which enabled the city water intake, Rostan, to be connected to the power grid. The commissioning of the new water intake with 44 k cubic meter design capacity will provide for



a significant improvement of water quality for residents and enterprises in Borisoglebsk. In the future, Rostan will also provide water to nearby villages.

VORONEZH

HOUSING FOR THE MILITARY

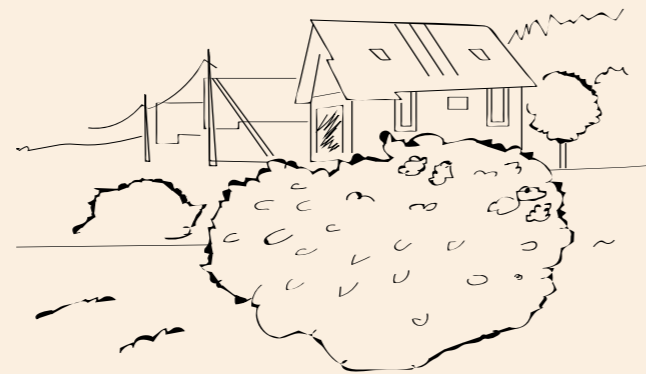
The Voronezhenergo branch did grid connection to the power grid of a residential property for 2,176 apartments, which is being built in the Region capital city at the military garrison No. 1 on the order of the Ministry of Defence of Russia for the air personnel of Baltimore airdrome and teachers of the Zhukovsky and Gagarin Military Air Academy Airforce Centre. For connecting the residential property, the power company is building a 12-km 6-kV cable line section from cross-linked polyethylene from the 110/6/6 kV Kommunalnaya substation No. 25.



YAROSLAVL REGION

A PRECIOUS GIFT
TO DACHA OWNERS

A project that is unprecedented for the region has been implemented by the Yaroslavl Power grid Company (OJSC YarEGC, part of IDGC of Centre Group) and the Government of the Yaroslavl Region. YarEGC has taken the ownerless grids of gardening partnership on its balance. These facilities had not been serviced for a long time, and their technical condition was poor. The company repaired and upgraded them. As a



result, Yaroslavl dacha owners now have a stable and responsible contractor for power grid maintenance who charges no extra fee for its services.

BOKINO VILLAGE, TAMBOV REGION

A KINDERGARTEN FOR
THE VILLAGE

The Tambovenergo branch did grid connection to the power grid of the biggest primary school in the Tambov district, namely, the Neposedy kindergarten for 250 children in the Bokino village. The power sources for the new kindergarten is the 110/35/10 kV Promyshlennaya substation. Under the grid connection contract, the Tambov energy company provided 165 kW of capacity.

The kindergarten in the Bokino village is a leader in the Tambov district not just by the number of children but also by the range of opportunities that the children have for their development. At Neposedy, children can study dancing, painting, English, and computer skills. Special care is provided to children with disabilities. They



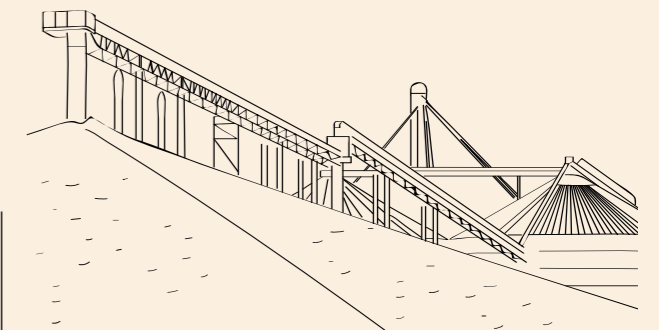
will be educated in a special group using the interactive education system with special education and therapy methods.

KOLPNA TOWN, OREL REGION

CONDITIONS FOR FOOD
PRODUCTION DEVELOPMENT

In the framework of its investment programme, the Orelenergo branch upgraded the 110/35/10 kV Kolpny substation. It had been put into operation in 1972 and supplies electricity to most of Kolpna town, the elevator, the district consumer society, the oil base, the sugar plant, the Yunost farm, and the bakery.

The investment project included retrofitting of the 110 kV outdoor switchgear, installation of two sections of divergent 110 kV aerial lines with 110 kV EV. In addition, a sectional 110 kV EV, a mobile general control unit, and microprocessor protection facilities for two transformers and two divergent 110 kV aerial lines, Livny-Kolpny and Kolpny-Maloarkhangelsk, were installed.



This will raise the electricity supply reliability in the Kolpny district significantly, support major enterprises such as the elevator, the sugar plant, and the bakery, and provide conditions for development of the food industry, agriculture, and the agricultural sector in the entire Orel Region.

GRID CONNECTION PROCEDURE

IDGC of Centre carries out grid connection of new consumers to electric networks – physical and legal persons who intend to carry out commissioning connection, as well as already connected electric energy consumers, whose maximum power is increased. This type of activity is regulated by the

State Regulation on grid connection of electricity consumers, objects for the production of electrical energy and power grid facilities owned by grid companies and other persons to power grids, as well as by establishing the amount of payment for grid connection to electric networks.

SCOPE OF SERVICES PROVIDED

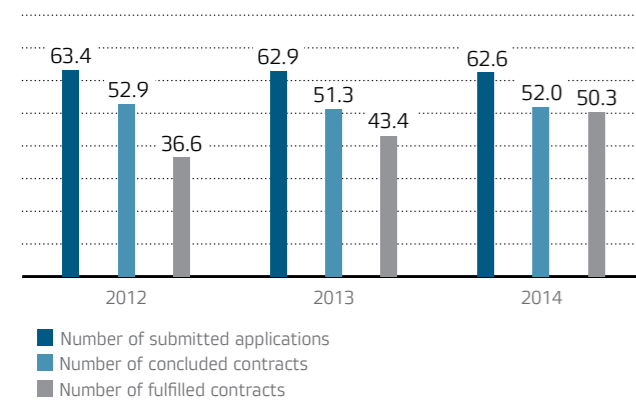
In 2014, IDGC of Centre received 62.6 thous. applications for technological connection of power receiving devices to electric grids, which is 0.5% lower than in 2013. However, the claimed power of accepted bids rose 3.1% compared to 2013, indicating demand from legal entities with higher connected capacity.

On the basis of applications filed in 2014, the Company entered into 52 thous. contracts for grid connection, which is 1.4% more than in 2013. At the end of 2014, despite the

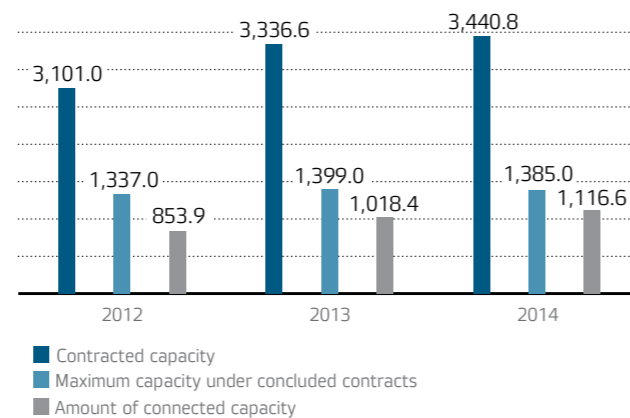
decrease in the number of applications filed, there was an increase in the number of contracts concluded as compared to 2013.

The positive dynamics in the number of contracts is the result of improving the quality of the Company's services at the stage of conclusion of contracts, as well as greater awareness on the part of applicants of the procedure for the grid connection. This reduces the number of canceled orders, and most of the proposals end in a grid connection contract.

Fulfilment of grid connection applications, number of cases



Fulfilment of grid connection applications, MW



Contracted capacity dynamics by customer categories, MW

	Up to 15 kW (subsidized category)	15–150 kW	150–670 kW	Not less than 670 kW	Generation	Total
2012	565.8	151.3	499.3	1,475.2	409.4	3,101.0
2013	607.6	183.5	444.3	1,707.5	393.7	3,336.6
2014	580.9	215.1	479	1,622.7	543.1	3,440.8

Connected capacity dynamics by customer categories, MW

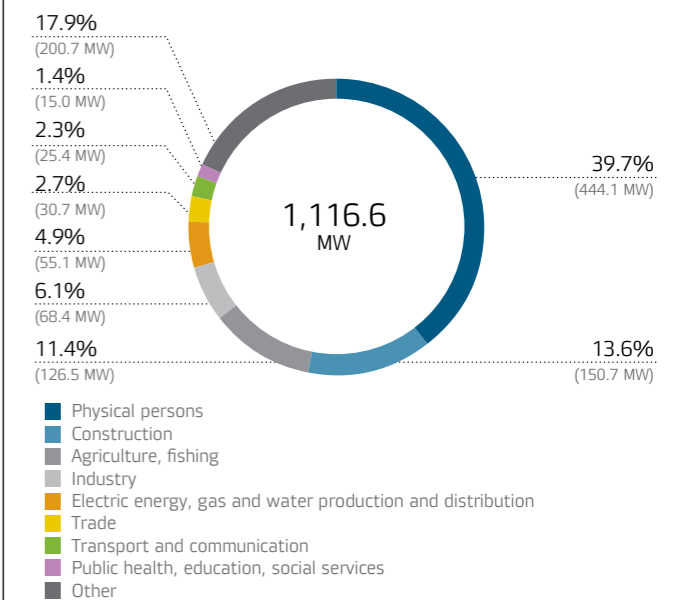
	Up to 15 kW (subsidized category)	15–150 kW	150–670 kW	Not less than 670 kW	Generation	Total
2012	331.7	54.7	137.2	289.3	41	853.9
2013	404.9	90.6	181.4	285.6	55.9	1,018.4
2014	490.7	96.6	161.8	359.9	7.6	1,116.6

In 2014, the Company executed 50.3 thous. contracts for grid connection, which is 15.9% higher than in 2013. The total amount of connected capacity in 2014 amounted to 1,116.6 MW. Such dynamics show the development of the electric grid and the increasing availability of energy infrastructure in the regions of service of IDGC of Centre. Every year an increasing number of contracts of grid connection are performed without measures for construction (reconstruction) of electric grid facilities from the network organization and the responsibility of the applicant to fulfill growing interest in connecting, respectively.

The increase in connected capacity in 2014 by 15.9% compared to 2013 is due to the acquisition in the reporting year of consumers with high peak power (6–10 MW). In addition, part of the large projects implemented with considerable declared capacity had been scheduled for execution in 2015, or were planned for 2013, but were implemented in 2014.

In 2014, the total volume of connected capacity of 39.8% came from contracts of grid connection of physical persons. In addition, quite a lot of weight is grid connection of construction at 13.5%, and agriculture at 11.3%.

Connected capacities structure by sectors in 2014, MW and %



FINANCIAL RESULTS

In 2014, the revenue of IDGC of Centre from grid connection services increased by RUB 0.6bn or 66.7% in comparison with 2013. The revenue increase was due to implementation of numerous major projects in the reported year.

Due to the increase of the revenue from grid connection services, the net profit in the reported year increased by RUB 0.4bn or 80.0%.

The key parameters of the grid connection service business in 2012–2014 were as follows

Parameter	Measurement unit	2012	2013	2014	Variance 2014/2013	
					RUB bn	%
Revenue	RUB bn	1.2	0.9	1.5	0.6	66.7
Production cost	RUB bn	0.25	0.29	0.31	0.02	6.9
Net profit*	RUB bn	0.7	0.5	0.9	0.4	80.0

* Amount of grid connection liabilities includes in the financial statements as part of the net profit.

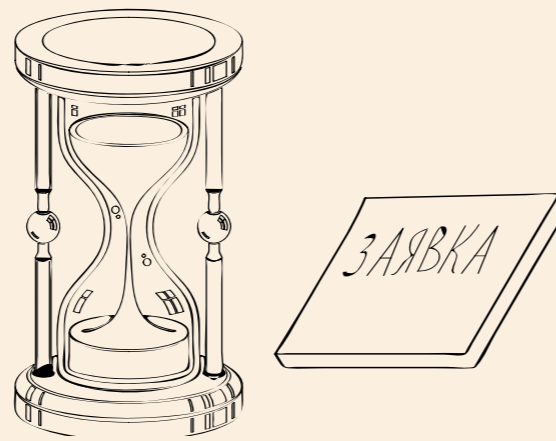
SHORTER TIME OF APPLICATION PROCESSING

In 2014, IDGC of Centre reduced the average duration of application handling and making contract offers on grid connection applications with maximum capacity of under 150 kW (and including) by more than two times (from 19 down to 9 days).

The reduction of the average duration of performance of grid connection contracts for this consumer category amounted to 45 days (from 194 down to 149 days). The average time of application handling and sending contract offers on grid connection applications with 150 to 670 kW capacity (and including) was reduced by 1.5 times (from 24 down to 17 days).

The company initiated amendments to regional regulations governing urban planning that include 0.4–10 kV cable and aerial power lines on the list of properties, construction and reconstruction of which do not require approval of the relevant authorities.

The approval process takes a great part of the time allocated for performance of grid connection contracts (four months), which creates difficulties and extra costs for the grid company and has a negative effect



on the times of implementation of social and economic development programmes of regions. The amendments that have been proposed by IDGC of Centre would solve this problem.

The first region to adopt the proposed amendments became the Yaroslavl Region where Governor Sergey Yastrebov signed the relevant order in July 2014. Similar work has been done in the Kostroma Region where such amendments came into force in January 2015.

The company intends to spread this experience to other regions of its responsibility in order to make a contribution to the implementation of the resolution of the Government of the Russian Federation about the need to raise the availability of power grid infrastructure.

INNOVATION MONITORING SYSTEM OF CABLE LINES

The system is a distributed temperature sensor, a sensor of which is an optical fiber integrated in the shield of the power cable. Real-time system performs precise measurements in more than 40 thousand points located along the cable line. All the information about the state of the cable is transferred to the operating personnel and dispatchers of the Grid Control Centre, as well as specialists of the diagnostic service. Application of the new monitoring system allows up to 50 cm accuracy to determine local hot spots of cable lines and prevent emergency situations.

The system was put into operation in the framework of the largest investment project of 2013–2014 for doubling



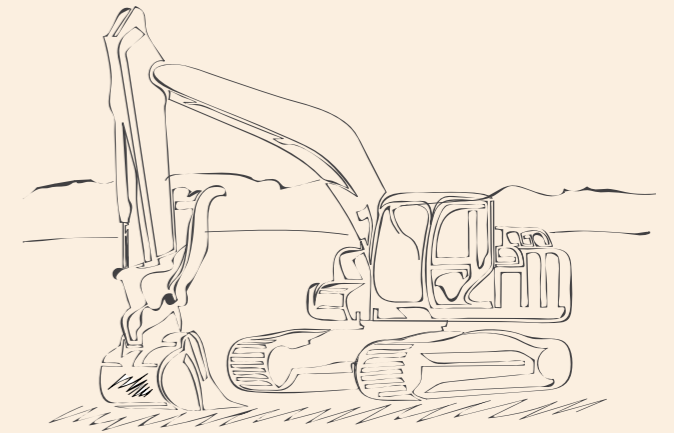
the power output to social and engineering infrastructure facilities of Kominternovskiy district of the city of Voronezh. In the first phase of the project a 110 kV power cable line of XLPE from SS No. 30 "Podgornoye" to SS No. 13 "VPI" was constructed. The second stage involves the reconstruction of substation No. 13 "VPI" 35/10 kV with transfer from 35 to 110 kV.

KALININSKY DISTRICT, TVER REGION

FIRST HITACHI MACHINE-BUILDING PLANT IN RUSSIA

The Hitachi hydraulic excavator plant was put into operation in January 2014. It is the first machine-building plant of Hitachi Group in Russia. With the capacity of 2,000 excavators per year, the plant will supply these vehicles to the market of Russia and the CIS.

IDGC of Centre connected the plant to the power grid by building the 110-kV Lebedevo substation in the Tver Region. The work performed by Tverenergo enabled complete electricity supply to the production facilities. The grid company will guarantee reliable electricity production, as modern high-tech equipment was used in the electricity system construction.



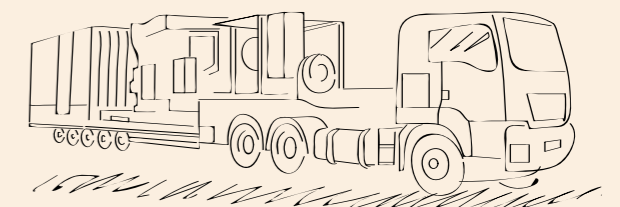
The Hitachi plant is of strategic importance for the region. The economic effect of the project will allow spending extra money on the development of the Upper Volga region.

KRASNINSKY DISTRICT, LIPETSK REGION

FIRST MOBILE SUBSTATION

IDGC of Centre provided power supply to Motorinvest LLC car factory in the Krasninsky district of the Lipetsk Region with a unique modern energy facility, namely, a 110-kV, 25-MVA mobile substation by Siemens.

The mobile substation consists of two units installed on the platforms of two truck semitrailers. One unit has a 110-kV SF6 switchgear and a 25-MVA power transformer, and the other unit holds a block container with 10(6) kV switchgear and supplementary control and protection systems. The units are connected with flexible 10 kV cables with cross-linked polyethylene insulation. Such design enables the mobile substation to be moved into any location and used as a powerful independent power



source for the period of elimination of the consequences of any failures, construction of fixed substations or unloading the grid during peak loads. Other benefits of the mobile substation include minimum amount of construction work required for commissioning and remote monitoring and control in the dispatching system.

ELECTRIC ENERGY SALES AND CAPACITIES
(PERFORMANCE OF A GUARANTEED SUPPLIER FUNCTION)

In 2013–2014, IDGC of Centre acted as the electric energy supplier of last resort on the territory of five regions of the Russian Federation, namely the Bryansk, Kursk, Orel, Tver and Smolensk regions.

This decision was taken due to the deprivation of the wholesale market participant from a number of energy sales companies working on territories of these subjects.

February 01, 2014

The guaranteed supplier status in the Orel Region was assigned to INTER RAO-Orel Energy Sales LLC by the order of the Ministry of Energy of Russia.

April 01, 2014

The guaranteed supplier functions in the Tver and Kursk Regions were assigned to OJSC AtomEnergoSbyt.

June 01, 2014

The guaranteed supplier functions were assigned to the winners of the tenders of the Ministry of Energy of Russia, in particular: TEK-Energo LLC in the Bryansk Region, OJSC AtomEnergoSbyt in the Smolensk Region.

December 01, 2014

The guaranteeing electricity supplier status in the Tver Region in respect of the second operation area of IDGC of Centre was assigned to CJSC Transservisenergo.

* A guaranteed supplier of electricity is a company which is obliged to conclude an electricity sale contract with any electricity consumer who applies or with a person who is acting on behalf and in the interest of the electricity consumer and is willing to purchase electricity pursuant to Federal Law No. 35-FZ dated March 26, 2003 or its own obligations.

In the first half of 2014, resort supplier functions were transferred to new retail companies – winners of the competition in five regions held by the Russian Ministry of Energy, with the exception of the control of Tveroblenergosbyt, for which the transfer of functions was carried out on 12.01.2014.

In this regard, overall in 2014 there was a decrease in revenue from this type of activity by 48.1% (in comparable terms). The company received a loss of services for the sale of electricity in the amount of RUB 788.3mln, which is lower than the financial result for 2013 by RUB 1,228.2mln.

FINANCIAL RESULT FROM ELECTRIC ENERGY SALES SERVICES

Indicator	Measuring units	2013	2014	Deviation 2014/2013	
				RUB bn	%
Electrical energy sales revenue (RAS)	RUB bn	29.8	15.1	-14.7	-49.3
Revenues from sales of electric energy (relative)	RUB bn	16.0	8.3	-7.7	-48.1
Cost of electric energy sales	RUB bn	14.5	7.5	-7.0	-48.3
Net profit	RUB bn	0.4	-0.8	-1.2	-179.2

THE MAIN FACTORS THAT INFLUENCED THE NEGATIVE TREND IN NET PROFIT IN 2013–2014 WERE:

- The decrease in revenues for this type of activity by RUB 7,684.6mln, or 48.1%.
- Reduction in production costs by RUB 6,808mln, or 48.3%, which corresponds to a reduction in costs under Purchase of electricity for sale, and conditioned by the transfer of the function of the guaranteeing supplier of electric energy in accordance with the orders of the Ministry of Energy of the Russian Federation on the territory of the Bryansk, Kursk, Orel, Tver and Smolensk regions.
- Reduction of sales expenses by RUB 534.8mln, or 45.0%, also due to the transfer of the function of the supplier of last resort of electric energy.
- An increase in the negative balance of other income and expenses RUB 1,193.5mln associated with the creation of reserves for doubtful accounts receivable.
- Change in income taxes of RUB 307.1mln.

GUARANTEED SUPPLIER FUNCTIONS

When performing assignment of the Ministry of Energy of Russia in 2013, IDGC of Centre successfully implemented a set of measures to take on the guaranteed supplier (GS) functions, in particular:

- All employees of former guaranteed suppliers were employed by IDGC of Centre while keeping all job duties, salaries, and social benefits. All the workplaces are equipped with the necessary facilities and equipment as per labour law.
- The required contracts were made and regulatory procedures were implemented to provide access to the trading system of the wholesale electricity market; electricity for consumers was purchased in full. Payment for the electricity supplied from the wholesale market was effected within the time stipulated by the contract for joining the trading system of the wholesale market.
- Contract campaigns were completed as soon as possible for transferring consumers to the services of IDGC of Centre and making energy supply (sale) contracts with them.

- Contracts with organisations that take payments from private individuals were resigned to ensure timely acceptance of payments.
- The efforts of the two call centres for consumers' claims and face-to-face customer service centres have been united, which enables each consumer to resolve any energy supply problem by contacting IDGC of Centre.
- Measures were taken to timely draft bills with the new bank details and send them to consumers.

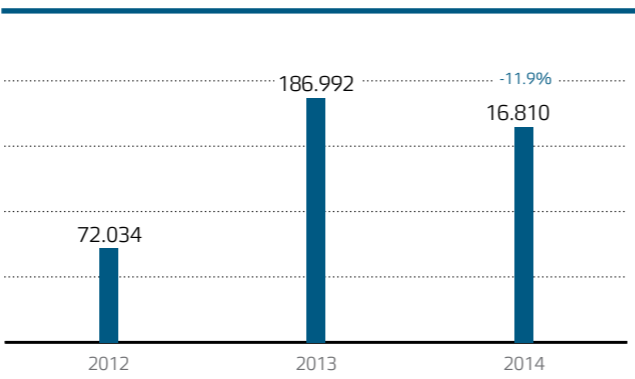
To reduce the debt of energy sale companies who lost the GS status, IDGC of Centre worked on recovering consumer debts relating to liabilities of former GSs to secure further repayment of the debt for electricity transmission services to the Company.

The new type of business has resulted in a greater rate of electricity debt recovery and reduced losses.

OTHER ACTIVITIES

IDGC of Centre develops additional services rendered to customers and is not related to the core business of electricity transmission and grid connection. Additional services are paid and are not subject to mandatory government regulation.

Customer complaints dynamics in 2012–2014, dealing with additional services, in thousand cases



Other activities	
Organisation of outdoor lighting systems	Reconstruction of power grid facilities for the benefit of customers
Tests and diagnosis of equipment	Installation and replacement of metering equipment
Performing activities within the competence of clients in the procedure of grid connection	Design and construction of energy facilities
Operational and technological maintenance and repair of electrical networks and electrical equipment	Energy audits and energy services

DEVELOPMENT OF OTHER ACTIVITIES

Taking into account the high importance of most services to the public, the Company seeks to expand the list of services and direct resources to maintain a high quality of customer service.

In 2014, with the reduction in demand for additional services by 11.9% compared to 2013, revenues from other activities increased by 8.3%. The increase in revenue is due to a greater extent to the development of commercial areas such as "Installation and replacement of metering equipment" and "Support technology connection". The main measures for the development of additional services in 2014 are as follows:

- Development of services characterised by strong competitive environment, by attracting contractors for execution of contracts. Involving contractors reduces the price of service and increases the efficiency of the provision of services.
- Unification works on the most popular services for meter installation/replacement: statement set routings, cost estimates, and the final price list for services. On its website, the Company provides cost calculator service for installation and replacement of metering devices.

- Entering into a commercial operation software package for analysis of the effectiveness of energy-efficient outdoor lighting. On the basis of market research, the Company identified ways of development, and formed a sales plan of services.
- Search orders on electronic trading platforms, in particular, on the court, Sberbank AST.
- Training in customer interaction active sales skills, which increased the share of concluded contracts on applications from filed consumers.

Activities planned for 2015:

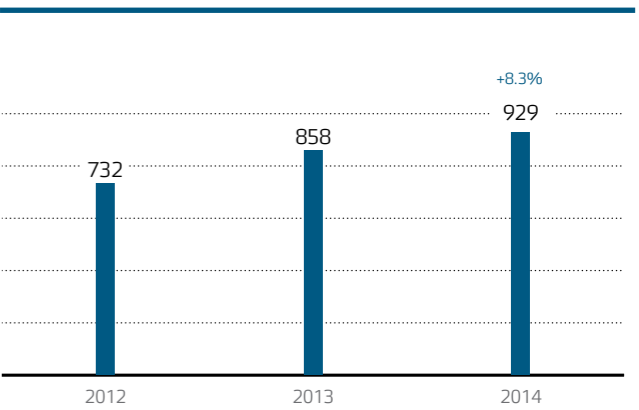
- Revision of pricing for additional services in order to reduce costs.
- Introduction of additional crews to provide additional services to cover most of the services market with a strong competitive environment.
- Conduct market research of additional services from the perspective of the search for new directions of business development.

FINANCIAL RESULTS

In 2014, revenue from extra services increased by 8.3% while the demand for extra services reduced by 11.9% vs 2013.

The revenue growth is largely due to development of the business areas of Meter Installation and Replacement and Support of Grid Connection.

Revenue from extra services, RUB mln

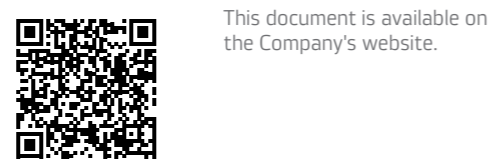


INNOVATIONS

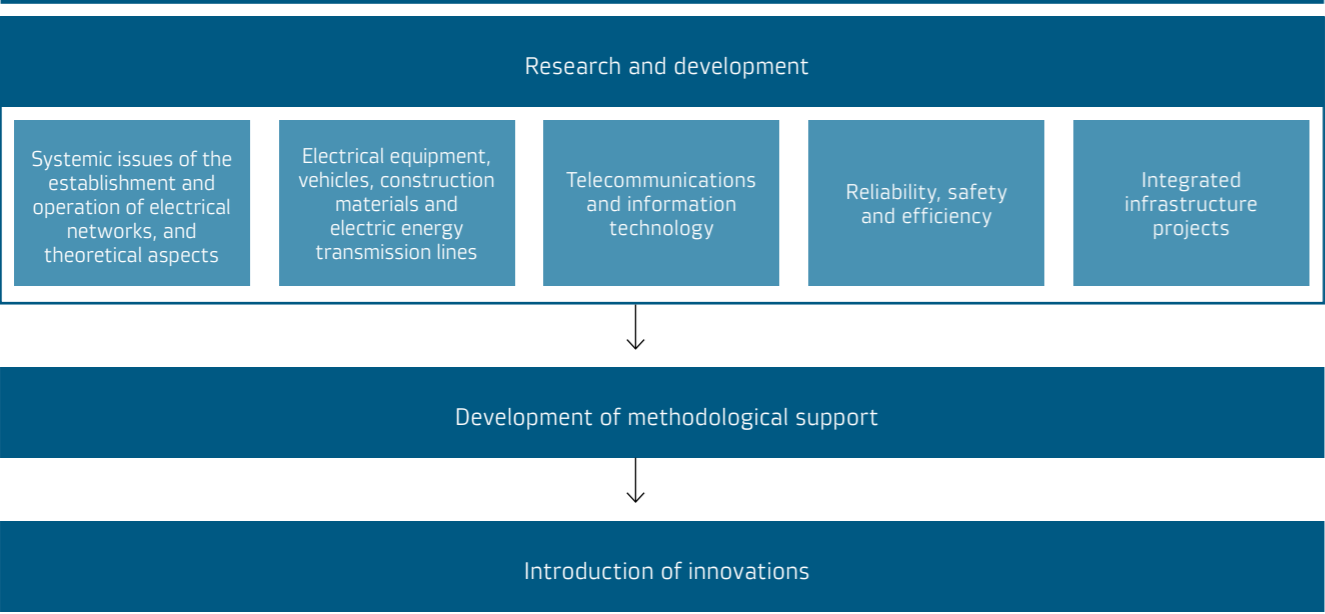
The Company’s innovative development is carried out in accordance with the corrected Innovative Development Programme of IDGC of Centre for 2013-2018, approved by the Board of Directors (Minutes dated December 28, 2013 No. 31/13).

In 2014, the Board of Directors also approved a policy of innovative development, energy conservation and energy efficiency (Minutes dated June 23, 2014 No. 15/14).

The document defines the strategic perspective as the transition to electric grids of a new technological order with qualitatively new characteristics of reliability, efficiency, availability, manageability and customer focus.



Areas of the Company's innovative development



Performance indicators of the Company's Innovative Development Programme

Indicator	Measuring units	2014
Funding research and development carried out by other organisations, by contractors (higher educational institutions, scientific research organisations, small and medium-size innovation companies)	RUB mln	37.7
Their involvement in projects:		
technological platforms	RUB mln	–
higher educational institutions	RUB mln	–
scientific research organisations	RUB mln	6.3
Number of employees who took further training and retraining courses at higher educational institutions	people	708
Cost of further training and retraining courses at higher educational institutions	RUB mln	7.1

PROJECTS IMPLEMENTED IN 2014

SYSTEM OF PRACTICAL RESEARCH OF PLANNING, ACCOUNTING, AND CONTROL OF IMPLEMENTATION OF THE REPAIR AND MAINTENANCE PROGRAMME FOR POWER GRID FACILITIES

The software system for process automation of repair and maintenance of power grid facilities.

- The system enables to do the following:
- reduce decision making time;
 - promptly update database;
 - plan impacts on the property subject to its technical condition and other factors;
 - model production programmes and choose optimum solution options;
 - maintain accounting and control of hazardous spots;
 - control electricity quality.

0.4 KV MULTI-FACETED ANCHOR POLES (A PATENT HAS BEEN OBTAINED)

- Steel multi-faceted anchor poles enable to do the following:
- reduce the Company’s capital costs;
 - increase the life of supports up to 50 years;
 - reduce the time of constructing supports;
 - raise the reliability of power supply to consumers.

STANDARD SOLUTIONS OF UPGRADING OPERATIONAL CURRENT SYSTEMS

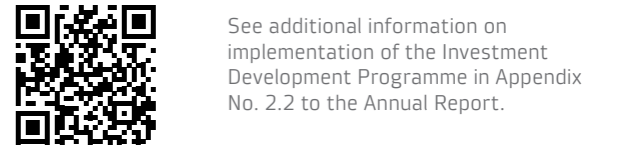
Criteria and priorities when choosing upgrading options for operational current systems at regional grid facilities have been developed in view of standard technical solutions.

- Standard solutions enable to do the following:
- reduce the costs of design & survey and construction & installation;
 - reduce the operating costs of standard solutions maintenance.

STANDARD SOLUTIONS OF DEVELOPING POWER GRIDS OF 35 KV

and below, which will make it possible to raise the efficiency of operation and reliability of distribution power grids.

- Standard solutions enable to do the following:
- reduce the costs of design when the described and approved standard solutions are used.

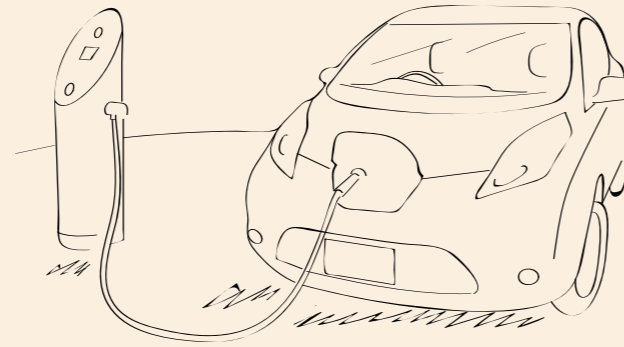


ELECTRIC CAR INFRASTRUCTURE

To enhance energy efficiency, IDGC of Centre is replacing part of car fleet with electric cars and is creating charging infrastructure for them.

The Yarenergo branch has created a charging infrastructure for the electric bus, which will run along the tour route in the historic city. Purchase of the prototype model of electric bus TROLZA is funded by regional and municipal authorities. The electric bus will be charged at the terminus of the transport route, where two charging posts have been installed.

Furthermore, Yarenergo purchased five charging stations. Currently, the branch is discussing with the city administration the possible places to install charging stations. They are planned to be placed near large shopping & entertainment centres and sports facilities.



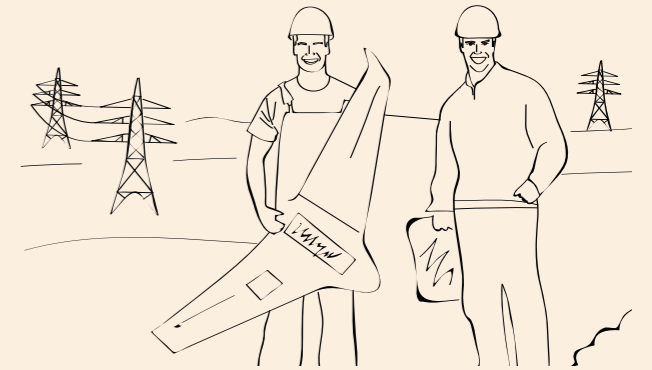
In 2014, the Company replaced part of corporate car fleet with electric cars at the Yarenergo and Orelenergo branches. Electric cars Mitsubishi i-MiEV and Mitsubishi Outlander PHEV were purchased. Electric cars are more economical and more environmentally friendly than petrol cars.

USE OF UNMANNED AERIAL VEHICLES IN ENERGY INDUSTRY

To assess the condition of power lines, the Orelenergo branch has tested a new unmanned aerial vehicle designed by personnel and students of the Power Supply Department, Orel State Agrarian University.

The trial run of power grids was held at the Mtsensky District within the project on complex diagnostics of overhead power lines using unmanned aerial vehicles (UAVs). This project is designed to develop a system of diagnostics, prevention and liquidation of emergencies with regard to the Company's power grids.

Aerial photographic survey enables to significantly reduce the time for searching power line failures in the event of blackouts. The time of inspecting power lines using UAVs was no more than 20 minutes, including the time



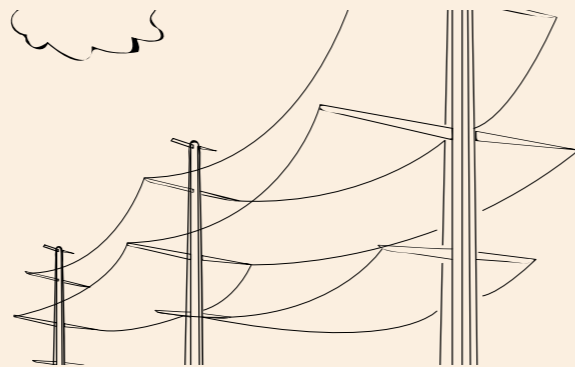
for UAV preparation for departure. The test results show that UAVs enable to determine the technical condition of overhead lines, accurately plan for clearing and extension of the glades, and oversee the work performed.

0.4 KV STEEL MULTI-FACETED POLES

Steel multi-faceted poles are one of the Company's innovative solutions. The first eighty pieces are to be installed in the Belgorod Region to replace outdated angular anchor towers, resulting in better reliability and durability of operated overhead lines.

Steel multi-faceted poles are a technically and economically feasible alternative of 0.4 kV reinforced concrete and wooden anchor towers based on steel multi-faceted racks. They are far more reliable and durable by comparison: the life of steel poles is about 50 years, whereas that of reinforced concrete – 36 years, wood – 25. Moreover, their design features make it possible to significantly speed up the installation and increase the estimated length of spans, which reaches 40 metres.

New poles are fireproof and resistant to icing and wind loads, in addition to being equipped with attachment points for a variety of equipment: remote metering boxes, crossarms for bare wires, streetlights, and cable terminations. Given the lack of demand for certain



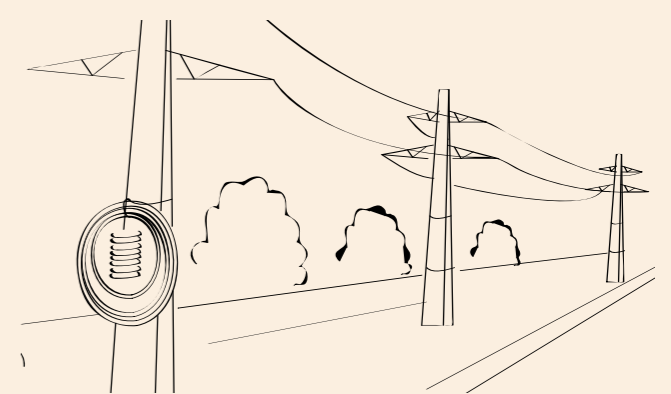
materials and fittings: anchor brackets, plates, bandage tape, binders – all this greatly reduces logistics costs, as well as the construction and grid connection costs.

Steel multi-faceted poles do not require close monitoring of technical condition; they are compact, aesthetic and vandal resistant, which is especially needed in the areas with dense residential development. Their use will contribute to reducing technological failures on overhead lines, optimising operating costs and, as a result, increasing reliability of electricity supply to consumers.

ELIMINATION OF DIGITAL DIVIDE

IDGC of Centre has started implementing the federal project Elimination of Digital Divide aimed at providing high-speed access to information networks (Internet, TV, telephony) for small settlements with a population of 250 to 500 people. The project is implemented under the agreement between JSC ROSSETI and OJSC Rostelecom, which provides for placement of fibre optic lines (FOLs) on overhead power lines in order to ensure data traffic transfer.

IDGC of Centre will provide access to high-speed data transfer (at least 10 Mbit/s) to 74 municipalities in six constituent entities of the Central Federal District within the Company's area of responsibility: the Belgorod, Bryansk, Voronezh, Kursk, Lipetsk, and Orel Regions. Power engineers have already made a preliminary project review in these regions in collaboration with contractors of OJSC Rostelecom, and defined 10 kV and 35 kV overhead line routing to place FOLs. Now the project is at the design stage. The project will cover another 384 settlements in 2015. IDGC of Centre plans to provide



all residents of small regional municipalities with high-speed access to information networks within five years.

The implementation of the Elimination of Digital Divide project will make it possible to create a new generation communications infrastructure in the Central Federal District: high-speed Internet will be available for educational, cultural and social institutions that are located in small settlements. Furthermore, IDGC of Centre energy facilities will have additional communications channels, which will contribute to increasing the reliability of the Company's own communication networks and energy system as a whole.

INFORMATION TECHNOLOGIES

Information technologies at IDGC of Centre are developed in accordance with the Information Technology, Automation, and Telecommunications Strategy through 2016 (hereinafter referred to as the ITT Strategy) as adopted by the Board of Directors of the Company in 2012 (Minutes of 13.06.2015 No. 15/12).

BUSINESS APPLICATIONS AND BUSINESS PROCESS AUTOMATION

A system entitled Accounting of Protocols of Unaccounted Consumption was put into industrial operation, which provides automated support for maintaining protocols of unaccounted consumption and calculation of the amounts of unaccounted and no-contract consumption according to protocols.

A system entitled Implementation of Extra Services was put into industrial operation, which enabled automated calculation of the price of extra service contracts, the issue of printable versions of contracts, and optimisation of planning processes and labour cost distribution for extra services provided.

A project of the Company's corporate portal was implemented, which is a tool comprising over 30 services for enhancing the information cooperation of the Company's employees, efficient communications, and development of unified personified points of access to corporate data and business applications at the Company.

CORPORATE AND INFRASTRUCTURE SERVICES AND SYSTEMS

The process of appointments at consumer service centres was automated in the framework of the Contract Centre Portal at the corporate portal platform.

An automated system entitled Analysis and Collection of Beneficiary Data was implemented.

The reference base of material and technical resources (over 120,000 entries) was normalised with double, incorrect, and incomplete entries removed, with data in the base unified, and materials classified.

The Autotracker navigation system was integrated with the automated vehicle management system.

In 2014, the ITT Strategy was amended with a roadmap update (Minutes of the meeting of the Board of Directors of 28.11.2014 No. 26/14). The new roadmap defines priority projects and project initiatives in the main fields, including business applications, technology systems, infrastructure, safety and security, telecommunications, and communications.

A project of development of a united catalogue of ITT services was completed. The project included development of an approach to specifying and naming ITT services, defining the target structure of the catalogue and target list of the ITT services, development of a service card template, and formalisation of the process of management of the ITT service catalogue.

A project entitled Implementation of a Central Regulatory and Reference Data Management System was completed, which was implemented in order to make a basis for development and implementation of unified standards of procurement and control of process equipment, raising the efficiency of the material flow processes, repair quality, and quality of the technical condition of the equipment, coordination of all the material and technical support services of the Company, and optimisation of costs of procurement for repair and operation needs.

The hardware part of the virtual platform was modernised.

A new system for preventing unwanted mail was implemented.

A mail system update project was launched based on Microsoft Exchange up to the latest version of Microsoft Exchange Server 2013.

A general update of the software versions in use was completed.

AUTOMATED PROCESS CONTROL SYSTEMS AND REAL-TIME PROCESS CONTROL

In 2014, the efforts of IDGC of Centre in the field of development of automated process control systems targeted implementation of programmes of modernisation and extension of data collection and transfer systems, programmes for raising the observability and controllability of distribution grid facilities, and implementation of a system for distribution and outage management (hereinafter referred to as OMS/DMS) at 10 branches of the Company.

In 2014, within the framework of raising the efficiency of emergency and restoration opportunities at equipment of systems of dispatching and process control and IT, a project was organised for equipping remote and primarily hard-to-

reach properties (a total of 1,489 properties) with remote control devices that enable bringing equipment back into service without sending service staff.

In 2014, 27 substations of 110 kV and 6 substations of 35 kV were remotely controlled.

In 2015, the Company is planning to implement teleautomation systems at 16 110-kV substations and five 35-kV substations and a dispatching control system at one district dispatching point of regional power systems.

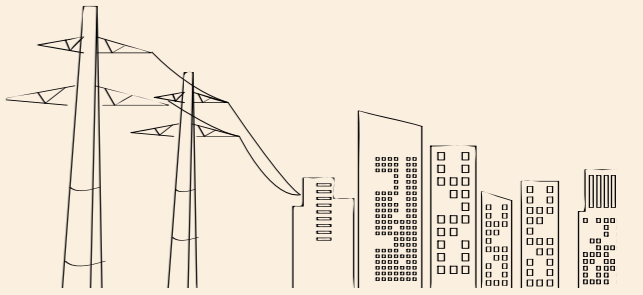
SMART CITY (BELGOROD)

The Smart City project was launched in the Belgorodenergo Branch of IDGC of Centre in 2009. The project encompasses R&D and innovative products and services aimed at improving the quality of life in the region. Modern technologies enable to make more efficient use of electricity, effectively manage public utilities, improve the quality of customer service, and reduce environmental impacts.

The programme is focused on 'smart grids', an integrated safe and reliable electricity system covering generation, transport, distribution and final consumption of electricity, with its efficiency based on usage of cutting-edge means of monitoring, communications, analysis, and dynamic management. The goals of 'smart grids' are to enhance reliability of 0.4–110 kV distribution grids, respond in real time to any emergency, ensure energy saving and energy efficiency, use alternative sources of energy, and improve the quality of consumer service.

The 'smart' power grid includes the following elements: street lighting control system, automated information and energy metering system, distribution grid automation project using reclosers, remote control at substations of 35–110 kV and transformer substation TS-10(6)/0.4 kV, step-up transformers (boosters), and other systems.

The automated street lighting control system ('smart' lighting) makes it possible not only to organise automated central control of street lighting, but also to monitor the state of grids



and diagnose equipment. This system enables to reduce the operating costs for street lighting grids and the amounts of energy consumption by 10% and 13–15% accordingly.

A special feature of the project is 'smart' electricity metering, with new generation meters Neuron for consumers. Automated energy metering system for household consumers and low-voltage enterprises that have intelligent meters Neuron makes it possible to greatly save money and time of both consumers and power engineers. All meter readings are automatic; therefore, regular verification is no longer needed. Blackouts become less likely as a result of continuous monitoring of voltage levels and grid load.

IDGC of Centre implemented an intelligent asset management system to ensure competent maintenance of all the elements of 'smart' grids. Constant updating and renewal of this 'database' enables to better plan production asset maintenance, which ultimately affects the rational use of funds allocated for repairs.

TELECOMMUNICATIONS DEVELOPMENT

A System Project of the Communications Networks of IDGC of Centre was developed and adopted pursuant to a resolution of the Board of Directors of IDGC of Centre. It contains standard technical solutions for telecommunications, target architectures of communication networks and their individual elements, and plans of communication network development through 2019.

During 2014, the Company continued to build and equip its branches with fibre optic telecommunication lines (hereinafter referred to as FOTL), which enable process data transfer at all decision making levels and fulfilment of obligations under the Data Collection and Transfer System programme (hereinafter referred to as DCTS), which have been undertaken by the Operations and Dispatching Administration of Centre (hereinafter referred to as ODA of Centre). This technology is used for arranging basic communication channels for telemetric data transfer and voice communications between the substations and dispatching services of the grid control centres of the Company and of ODA of Centre, which is necessary for managing regimes of the United Energy System.

AMOUNT AND LENGTH OF COMPLETED FOTL:

- funded with investments of the Company, 334 pcs (3,492.3 km);
- funded by investors, 120 pcs (2,138.9 km).

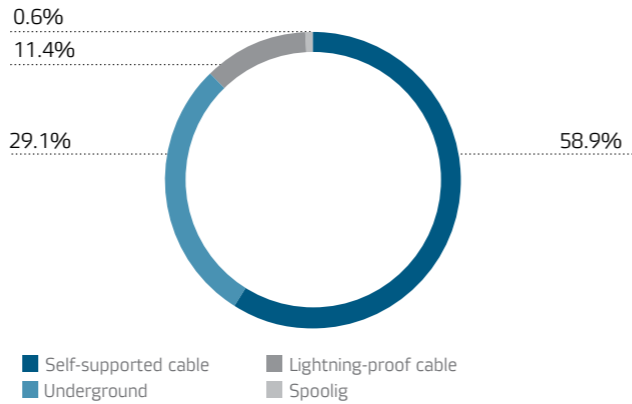
CORRELATION OF FOTL BUILD AT THE EXPENSE OF INVESTOR TRANSFERRED TO THE OWNERSHIP:

- property of the branches, 22.6%;
- property of the investors, 77.4%.

AUTOMATED SYSTEMS FOR COMMERCIAL METERING OF ELECTRICITY (AMR)

In the framework of implementation of the programme of prospective development of electricity metering systems (PPDEAS) in 2014, eight branches (Belgorodenergo, Voronezhenergo, Kurskenergo, Kostromaenergo, Orelenergo, Lipetskenergo, Tambovenergo, Yarenergo) are currently completing start-up and commissioning operations in organisation of data receipt from meters at the Company properties to the installed Enforce software. When this work

Types of FOTL at the branches of IDGC of Centre



IN THE FRAMEWORK OF THE IMPLEMENTATION OF THE DCTS PROGRAMME, THE EQUIPMENT OF BRANCHES WAS AS FOLLOWS:

- Smolenskenergo, 5 properties;
- Kostromaenergo, 3 properties;
- Kurskenergo, 1 property;
- Tverenergo, 1 property.

THE TOTAL NUMBER OF RADIO STATIONS AT THE BRANCHES OF IDGC OF CENTRE WAS AS FOLLOWS:

- portable by vehicle, 40.3% (2,777 pcs);
- fixed, 34.4% (2,373 pcs);
- portable by hand, 25.3% (1,745 pcs).

is completed in late 2015, it is expected that data transfer from over 50,000 meters.

Two pilot projects based on top-level AMR software, Telescope+ and Pyramid 2000, were implemented at the premises of the Smolenskenergo branch. The main objectives of these two projects was surveying equipment by Echelon Corporation and finding the possibility of using this software as target software at IDGC of Centre.

EMERGENCY PREVENTION

In 2014, IDGC of Centre implemented a set of measures for ensuring reliable and stable operation of the grid system of

IDGC of Centre in the flood period, and coordinated action for accident prevention and mitigation.

THE FOLLOWING WAS DONE IN THE PERIOD OF PREPARATIONS FOR THE SPRING FLOOD:

Flood Committees were established at the Executive Administration and at all branches of the Company.

Permanent readiness of communications with emergency crews that repaired electric grid facilities was provided.

Cooperation was organised with territorial bodies of Rosgidromet, units of the Ministry of Emergencies, and local authorities for prompt informing of weather conditions that involve intensive snow melting and the risk of flooding.

As a result of these measures, there were no facts of mass power cuts for consumers, process disturbances, grid property damage or damage to property of the Company due to the spring flood in 2014.

Cooperation was organised with units of the Ministry of Emergencies, branches of JSC FGC UES, and local authorities for engaging special machinery and floating craft.

IN PREPARATION FOR AN ACCIDENT-FREE THUNDERSTORM SEASON, THE COMPANY TOOK 1,600 STEPS INCLUDING THE FOLLOWING:

Lightning protection and grounding facilities of the grid system, buildings, and structures were inspected.

Surge protection of power line sections in areas with intensive thunderstorms was enhanced, etc.

Power line and switchgear insulators in contaminated areas were cleaned, and damaged suspension insulators were replaced.

In the thunderstorm season of 2014, the amount of damaged equipment at branches of IDGC of Centre was reduced by 7.6% in comparison with the thunderstorm season of 2013.

EMERGENCY AND RESTORATION EFFORTS

IDGC of Centre has the following resources for quality performance of emergency and restoration operations:

1,400 emergency and restoration crews comprising 7,800 people and 2,300 units of cross-country vehicles and special machinery, including 90 high mobility crews comprising 522 people and 166 machinery units.

Emergency reserves with a total cost of over RUB 505mln, including basic process equipment.Backup power sources (BPS), 551 units including 141 fixed and 410 mobile units, with a total capacity of 17.53 MW.

The branches of IDGC of Centre made agreements on cooperation in emergency and restoration operations for mitigation of process disturbances with 41 contractors, including 118 conventional crews with a total of 984 people, equipped with 352 units of cross-country vehicles and special machinery.

In 2014, there were no process disturbances at IDGC of Centre that would involve mass power cuts for consumers and engagement of forces and resources of other IDGC and third party companies.



03

FINANCIAL ANALYSIS

CREDIT RATINGS

BB-/B-/ruAA

Standard & Poor's

This credit rating means that, in the opinion of the rating agency, in the short-term outlook the Company is less exposed to credit risk (as compared to companies with lower category ratings); however, in the long-term outlook, the changing business and economic environment may have a negative effect on the Company's ability to pay its financial liabilities.

In 2014, Standard & Poor's took the following rating action:

- On March 28, 2014, the rating outlook was changed from Stable to Negative.
- On December 30, 2014, the Company rating was made subject to review in the direction of a decrease.

This rating action is caused by similar action in respect of the sovereign rating of the Russian Federation, which is due to the worsening macroeconomic situation.



The credit rating data and explanations on rating action are published on the Web site of the rating agency.

AA

National Rating Agency, very high creditworthiness, second level

The rating was first assigned in 2007. In December 2014, the National Rating Agency confirmed the rating of AA, very high creditworthiness, second level.

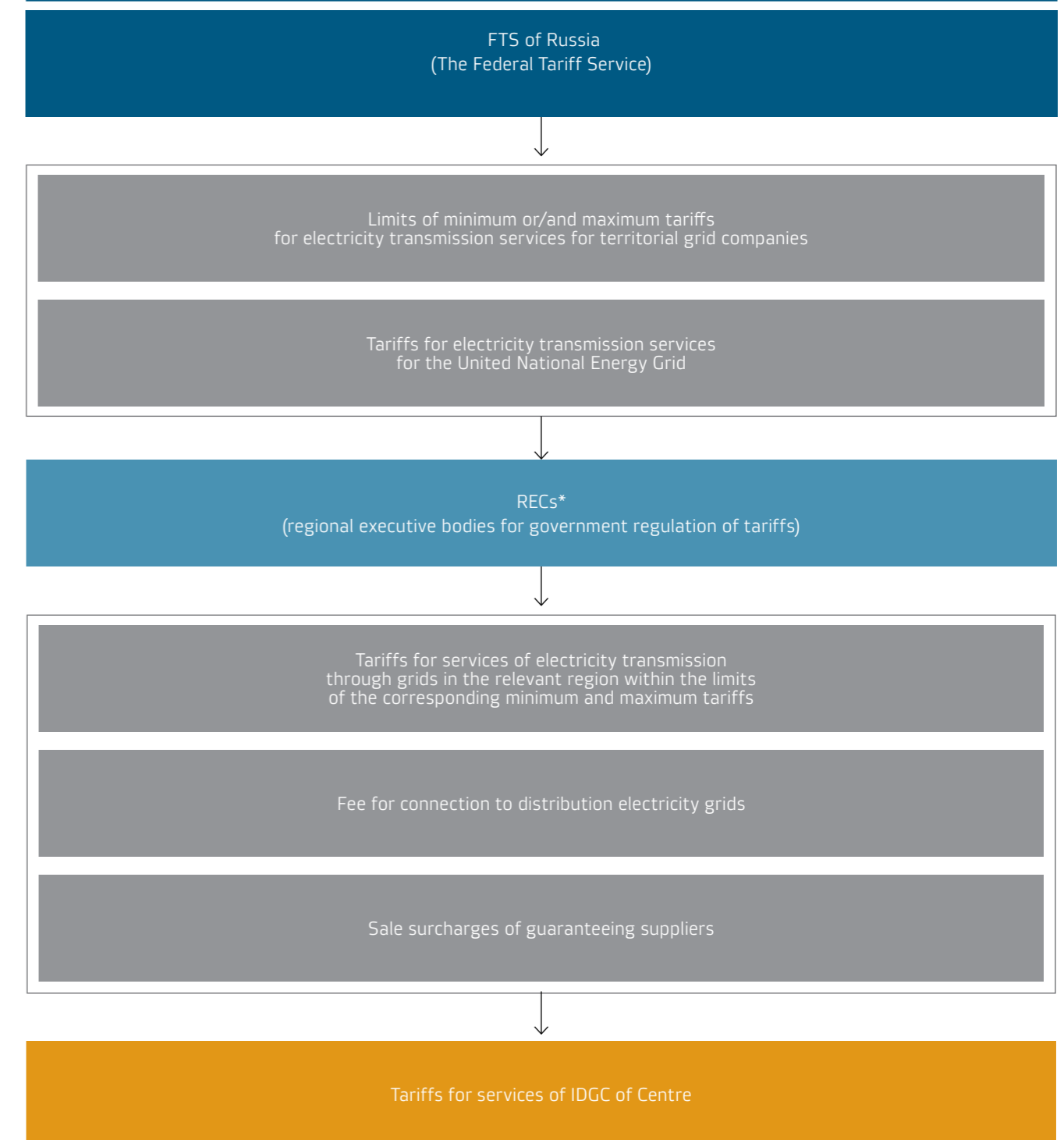
EVENTS AFTER THE REPORTING DATE

In February 2015, Standard & Poor's reduced the credit rating of IDGC of Centre down to BB-/B-/ruAA-, with a stable outlook. This reduction was due to the reduction of the rating of the Russian Federation.

TARIFF POLICY

The main types of activity of IDGC of Centre are regulated by the government, which sets the corresponding tariffs.

Establishment of tariffs for the main business types



* Regional executive authorities involved in state regulation of tariffs.

TARIFFS FOR ELECTRICITY TRANSMISSION SERVICES

In 2014, two methods were used for fixing electricity transmission tariffs at branches of the Company, in particular:

RAB regulation

- Belgorodenergo
- Voronezhenergo
- Kostromaenergo
- Kurskenergo
- Orelenegero
- Smolenskenergo
- Tambovenegero
- Yarenergo

The regulation method for each branch of the Company was chosen by the regulatory authority in view of the provisions of the Russian Government Order No. 1178 dated 29.12.2011.

Method of long-term indexation of the required gross revenue

- Bryanskenergo
- Lipetskenergo
- Tverenergo
- OJSC Yargorelektroset

EVENTS THAT AFFECTED CHANGES IN THE TARIFF POLICY

From 01.01.2014, the ‘last mile’ contracts were terminated save for Belgorodenergo, Kurskenergo, Lipetskenergo, and Tambovenegero. These branches are covered by the Federal Law dated 06.11.2013 No. 308-FZ On the Electric Energy Sector, pursuant to which ‘last mile’ contracts shall be prolonged until 01.01.2017.

Before 01.12.2014, the regulatory authority decided to review a number of long-term regulation parameters from 01.01.2015. This decision applied to nine branches of the Company; however, after this review, the base level of operation costs was approved without significant change.

According to the scenario conditions of the social and economic development of the Russian Federation, which were approved by the Russian Government, the tariffs of electricity transmission after 01.07.2014 may not exceed the tariffs as of 31.12.2013.

However, in the operation area of IDGC of Centre, the increase of the average single-rate ‘boiler’ tariff in 2014 amounted to 3.6% as compared to 2013. Such an increase in a number of regions was pursuant to the Federal Law dated 06.11.2013 No. 308-FZ, which allows for extra growth of tariffs for electricity transmission services for miscellaneous consumers after 01.01.2014 for compensation of ‘lost earnings’ due to termination of ‘last mile’ contracts.

As a result of the regulation, from 01.01.2014, the increase of the united boiler tariffs for electricity transmission services for miscellaneous consumers was as follows (the data is provided for single-rate tariffs):

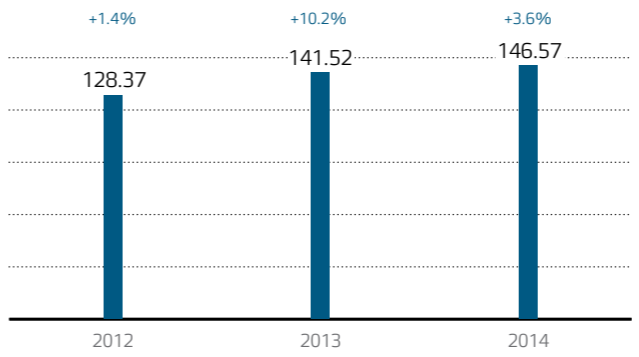
- Belgorod Region and Kursk Region, 7%;
- Lipetsk Region, 6%;
- Tambov Region, 5%;
- Yaroslavl Region, 5%;
- Smolensk Region, 4%;
- Kostroma Region, 1.1%.

In the Bryansk and Orel regions, the tariff solutions remained unchanged due to the insignificant effect of ‘lost earnings’ on the required gross revenue of the region because of the structure of the ‘last mile’.

In the Tver and Voronezh regions, the tariffs were not raised pursuant to the Federal Law dated 06.11.2013 No. 308-FZ. However, in the Voronezh region the approved tariffs were higher than the maximum levels approved by the Federal Tariff Service of Russia because of the investment programme.

The dynamics of the weighted average ‘boiler’ tariffs of electricity transmission in 2010–2014 by the branches are shown in Appendix No. 2.3 to the Annual Report.

The weighted average ‘boiler’ tariffs of electricity transmission services, kopecks/kWh



The tariffs of electricity transmission are also published on the Company website.

As a result of the tariff regulation, the ‘boiler’ required gross revenue of the Company in 2014 amounted to RUB 80.5bn, which is a RUB 2.1bn (2.7%) increase as compared to 2013. At the same time, the own RGR of the Company decreased by RUB 0.3bn (-0.8%).

The greatest increase of own RGR occurred at two branches, namely, Voronezhenergo with RUB 651mln (17.0%) and Tambovenegero with RUB 280mln (15.5%). The RGR of Belgorodenergo, Kurskenergo, and Lipetskenergo decreased due to ‘lost earnings’ due to termination of ‘last mile’ contracts.

The dynamics of RGR in 2010–2014 by the branches is shown in Appendix No. 2.3 to the Annual Report.

Required gross revenue (RGR)

	2010	2011	2012	2013	2014	Share, %
RGR for the maintenance of the branch (Own RGR)	29.9	34.9	35.1	39	38.7	48
Services of JSC FGC UES	11	14.2	14.9	16.3	17.5	21.7
Services of other territorial grid companies	9.7	11.4	12	12.7	13.1	16.2
Costs of the purchase of electricity for compensation of losses	6.7	9.1	9.2	10.4	11.3	14
Total	57.2	69.6	71.3	78.4	80.5	Change +2.7%

TARIFFS FOR GRID CONNECTION SERVICES

The tariff regulation of grid connection services is effected by regulatory authorities by fixing the following

Rates per unit of maximum capacity (RUB/kW)

Standardised tariff rates (RUB/km or RUB/kW)

The fee for consumers and electricity generation facilities with a maximum capacity of 8,900 kW or more and a voltage level of 35 kV or more is set individually under individual projects

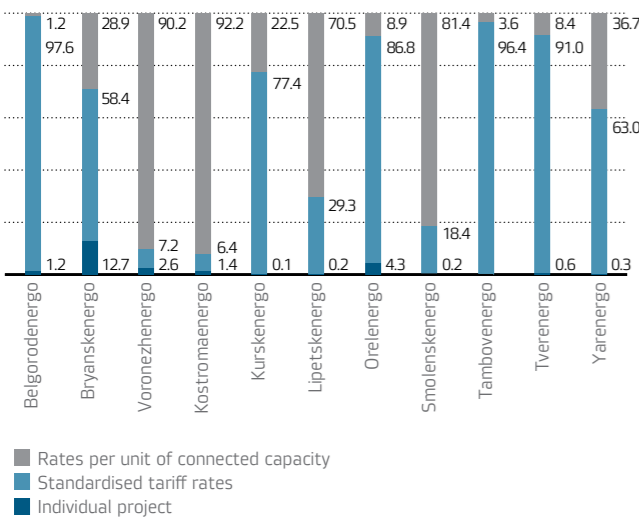
When a contract of grid connection to the electric grid is made, the applicant may choose one of the abovementioned methods for calculation of the grid connection fee

The fee for grid connection of consumers under an individual project (electricity generation facilities with a maximum capacity of at least 8,900 kW and a voltage level of at least 35 kV) is set by the regulator individually for each individual applicant

From 2013, the fee and rates for grid connection to electric grids are defined pursuant to the System Guidelines as adopted by the Decree of the Federal Tariff Service of Russia dated September 11, 2012, No. 209-e/1.

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

Other categories of applicants used the following options for payment calculation (%) in the reporting year



Average rate per unit of capacity in 2012–2014*

	2012	2013	2014
	3,815.00	4,520.77	5,698.89
Increase, %	4	18	10

* The available rates per unit of maximum capacity are shown based on the approved RGR and maximum capacity amount for 2014.

In 2014, over 90% of the contracts were made with privileged consumer categories; the price of services for each of them was RUB 550 according to the Russian laws.



Data on the tariffs of grid connection are also published on the Company website.



The dynamics of the average fee rate per unit of capacity in 2012–2014 by branch is shown in Appendix No. 2.3 to the Annual Report.



The average standardised tariff rates by the branches are shown in Appendix No. 2.3 to the Annual Report.

The average standardised tariff rates in 2014 were as follows*

Parameter	Rate range by branches	Transformer substations for organisation measures	Construction of aerial power lines	Construction of cable power lines	Construction of substations
		RUB/kW	RUB/km	RUB/km	RUB/kW
Rate for coverage of losses of the grid company	Min	27.27	176,846	201,568	321.0
	Max	606.07	444,150	812,710	2,873.47

* The average standardised tariff rates were calculated based on the approved RGR amounts for 2014, the maximum capacity, and other physical parameters.

SALE SURCHARGES OF GUARANTEEING SUPPLIERS

Tariff regulation of the electricity and capacity sale business is affected by fixing the sale surcharges for the following consumer groups:



The 2014 sales mark-ups are given in Appendix No. 2.3 to the Annual Report.

Private individuals and equivalent consumer groups

Grid companies that buy electricity to compensate electricity losses

Miscellaneous consumers

Surcharges are set for the calculated period of regulation as absolute values in RUB/kWh

Surcharges vary for different consumer subgroups depending on the maximum capacity of their energy receiving facilities. The following is also taken into account for calculation of such surcharges:

- return on sales in respect of a specific subgroup of miscellaneous consumers;
- the operation parameter factor of the guaranteeing supplier

FINANCIAL RESULTS ANALYSIS

The dynamics of the main economic parameters (RAS) in RUB bn

Parameter	2012	2013	2014	Deviation, 2014/2013	
				RUB bn	%
Revenue	69.4	92.9	86.7	-6.2	-6.7
Production cost	(57.9)	(78.1)	(73.9)	-4.2	-5.4
Gross profit	11.5	14.8	12.8	-2.0	-13.5
Management costs	(2.09)	(2.14)	(2.11)	-0.03	-1.4
Selling costs	-	(1.19)	(0.65)	-0.54	-45.4
Profit from sales	9.4	11.5	10.0	-1.5	-13.0
Interest receivable	0.16	0.11	0.11	-	-
Interest payable	(1.6)	(2.1)	(2.5)	0.4	19.0
Earnings from shareholders in other companies	0.13	0.02	0.04	0.02	100.0
Miscellaneous earnings	3.8	5.1	6.7	1.6	31.4
Miscellaneous costs	(7.4)	(12.7)	(9.4)	-3.3	-26.0
Profit before tax	4.5	1.9	4.9	3.0	157.9
Profit tax and other charges	(1.04)	(1.64)	(1.54)	-0.10	-6.1
Net profit	3.5	0.3	3.3	3.0	1000.0
EBITDA	12.3	11.5	15.6	4.1	35.7

Balance Sheet and P&L Statement for 2014 are given on page 138 of the Annual Report.

REVENUE

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

Due to accounting features, earnings from electricity sales actually include a part of the Company’s revenue from electricity transmission services. The revenue from electricity transmission and revenue from electricity sales adjusted in view of this fact are shown in the table below.

Under 2014 results, the Company’s revenue amounted to RUB 86.7bn. The reduction of earnings by RUB 6.2bn (-6.7%) is due to the fact that the functions of guaranteeing suppliers were transferred to companies

that won tenders of the Ministry of Energy of the Russian Federation in 2014.

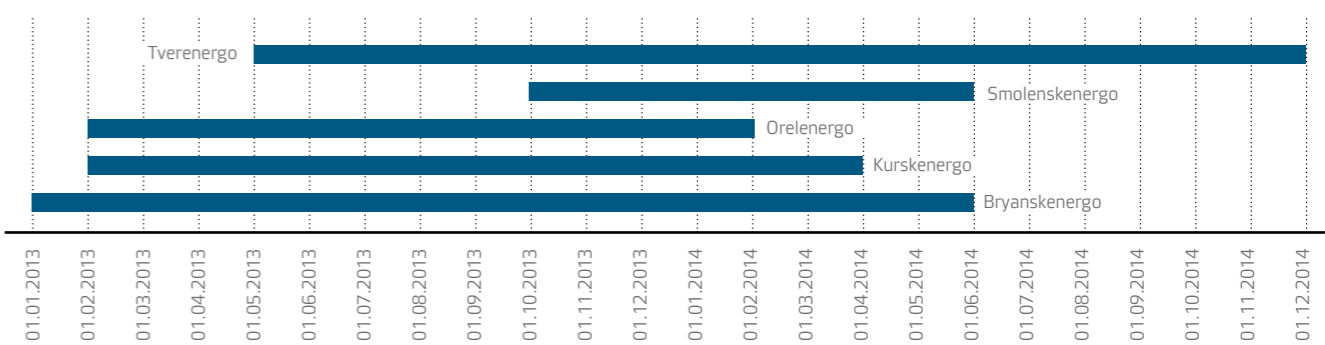
The revenue from electricity sales in 2014 was RUB 0.7bn (0.9%) greater than the 2013 revenue. Such dynamics were due to tariff growth in the reporting year and cost reduction by 1.2% (by 0.07bn kWh).

In 2014, the revenue from grid connection services amounted to RUB 1.5bn, which is a 66.7% vs. 2013. This growth is due to fulfilment of major grid connection contracts at Voronezhenergo, Kurskenergo, and Tverenergo in the reporting year.

The key revenue parameters in 2012–2014 were as follows (RAS), RUB bn

Parameter	2012	2013	2014	Deviation, 2014/2013	
				RUB bn	%
Revenue	69.4	92.9	86.7	-6.2	-6.7
In particular:					
electricity transmission, RAS	67.5	61.4	69.2	7.8	12.7
electricity transmission, adjusted	67.5	75.2	75.9	0.7	0.9
grid connection	1.2	0.9	1.5	0.6	66.7
electricity sales, RAS	-	29.8	15.1	-14.7	-49.3
electricity sales, adjusted	-	16.0	8.3	7.7	-48.1
miscellaneous	0.73	0.86	1.01	0.15	17.4

The periods when branches of the Company had sales functions were as follows



The revenue from other business amounted to RUB 1.01bn, which is a RUB 0.15bn (17.4%) increase in comparison to 2013. The increase is due to the following factors:

- RUB 0.067bn were earnings from lease that were included in revenue from other business. In 2013 and before such revenue was included in the Other earnings item;

- RUB 0.094bn was revenue from the sale of non-core assets;
- RUB 0.071bn was an increase of revenue from other services related to a greater amount of provided repair and maintenance services, engineering services, and other jobs.



RAS Financial Statements for 2014.



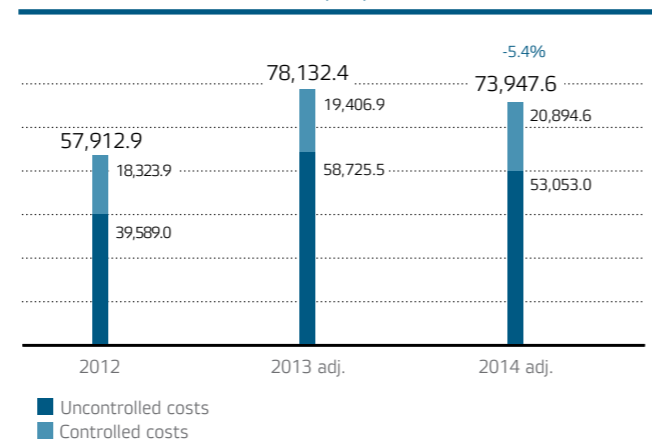
IFRS Consolidated Financial Statements for 2014.

PRODUCTION COST

The production cost of electricity transmission services and the production cost of electricity sales are shown in accordance with RAS statements and adjusted in view of the fact that some of the electricity transmission costs were included in the production cost of electricity sales.

The reduction in production costs as compared to 2013 by RUB 4.2bn or 5.4% is due to a reduction of the cost of purchased energy for sale due to the transfer of the guaranteeing supplier function.

Sales and production costs (adj.), RUB mln



The structure of production and sale costs in 2012–2014 was as follows (adj.), RUB mln

Parameter	2012	2013	2014	Deviation, 2014/2013	
				RUB mln	%
Uncontrolled costs, total	39,589.0	58,725.5	53,053.0	-5,672.5	-9.7
In particular:					
costs of compensation of losses*	8,251.1	9,864.7	9,833.7	-31.0	-0.3
services of JSC FGC UES	13,340.4	14,729.5	15,351.5	622.0	4.2
services of territorial grid companies	11,713.4	12,442.6	12,169.8	-272.8	-2.2
amortisation of fixed and intangible assets	6,284.1	7,542.4	8,359.7	817.3	10.8
purchased electricity for sale	-	14,146.3	7,338.3	-6,808.0	-48.1
Controlled costs, total	18,323.9	19,406.9	20,894.6	1,487.7	7.7
In particular:					
material costs	2,609.2	2,683.2	2,887.4	204.2	7.6
services related to production	942.1	806.4	708.4	-98.0	-12.2
staff (payroll, mandatory social security charges, non-government pension funds)	11,426.3	12,328.7	13,546.2	1,217.5	9.9
other costs included in production costs	3,346.3	3,588.6	3,752.6	164.0	4.6
Total costs	57,912.9	78,132.4	73,947.6	-4,184.8	-5.4

* In 2014, purchased electricity for compensation of losses as part of the production costs is shown including the 'internal circulation' (RUB 1.1bn) and the cost of the sale surcharge and infrastructure charges (RUB 0.2bn).

The dynamics of electricity transmission and sales costs in 2012–2014 was as follows, (adj.), RUB bn

Parameter	2012	2013	2014	Deviation, 2014/2013	
				RUB bn	%
Production cost	57.9	78.1	73.9	-4.2	-5.4
In particular:					
electricity transmission, RAS	57.3	62.9	65.6	2.7	4.3
electricity transmission, adjusted	57.3	63.3	65.8	2.5	3.9
grid connection	0.25	0.29	0.31	0.02	6.9
electricity sales, RAS	-	14.5	7.5	-7.0	-48.3
electricity sales, adjusted	-	14.1	7.3	-6.8	-48.2
miscellaneous	0.35	0.41	0.47	0.05	11.9

THE KEY FACTORS THAT AFFECTED THE COST REDUCTION WERE AS FOLLOWS:

- Reduction of the cost of purchased electricity for sale by RUB 6,808mln (48.1%). This reduction was due to the transfer of guaranteeing supplier function pursuant to the decrees of the Ministry of Energy of the Russian Federation in the Bryansk, Kursk, Orel, Tver, and Smolensk Regions.
- Reduction of costs of compensation of electricity losses by RUB 31mln (0.3%) due to a reduction in losses by 75,095k kWh, a reduction of the cost of load losses, and an increase of the weighted average price from 1.80 RUB/kWh to 1.84 RUB/kWh.
- An increase of the cost of services of JSC FGC UES by RUB 622mln (4.2%) due to the increase of the tariffs for electricity transmission services in the United National Electric Grid from 01.07.2014.
- Reduction of costs of services of territorial grid companies by RUB 272.8mln (2.2%) due to a reduction of the transfer balance in the grid of adjacent territorial grid companies.
- Increase of amortisation of fixed and intangible assets by RUB 817.3mln (10.8%) due to commissioning of fixed assets.

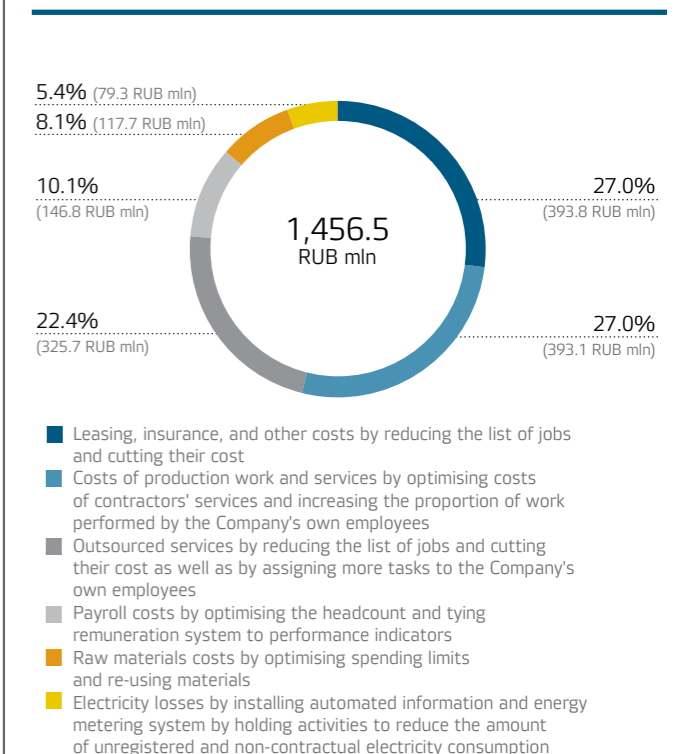
KEY FACTORS THAT AFFECTED THE CONTROLLED COSTS

- Increase of material costs by RUB 204.2mln (7.6%) due to an increase in material consumption for repair purposes in respect of repairs in 2014 that were made mainly with the company's own resources.
- Increase of staff costs (payroll, mandatory social security charges, non-government pension funds) by RUB 1,217.5mln (9.9%), which was due to indexation of employees' salaries. Increase of miscellaneous costs that were included in production costs by RUB 164mln (4.6%) due to an increase in the costs of information and consulting services and property taxes.
- Reduction of the cost of services related to production by RUB 98mln (12.2%), primarily due to repairs in 2014 that were made mainly with the company's own resources.

COST CONTROL PROGRAMME

To implement the Russian Power Grid Development Strategy, the Company approved IDGC of Centre Performance Management Programme in 2014. The Strategy provides for a 15% decrease in operating costs by 2017, taking into account the inflation rate vs 2012 per unit of serviced electrical equipment. Based on the actual results of 2014, operating costs fell by 8.8%, taking into account the inflation rate vs 2012 per unit of serviced electrical equipment, with the amount saved totalling RUB 1.46 billion.

Operating cost decrease items, RUB mln



PROFIT FROM SALES

In 2014, the profit from sales amounted to RUB 10.0bn, which is RUB 1.5bn less than in 2013. The reduction was mainly due to revenue reduction (by RUB 6.2bn), simultaneous reduction of the production cost by

RUB 4.2bn, reduction of selling costs by RUB 0.5bn (45%), and reduction of management costs by RUB 0.03bn (1.8%).

MISCELLANEOUS EARNINGS AND COSTS



As compared to 2013, miscellaneous earnings increased by RUB 1.6 bn, primarily due to the following

Profit of previous years identified in the reporting period, an increase by RUB 0.33bn due to posting of corrective protocols for electricity transmission

Other costs, an increase by RUB 2.1bn mainly due to a contract for assignment of the right of claims between IDGC of Centre and Belgorod Energy Sales Company LLC concerning electricity transmission services rendered by OJSC Belgorodenergosbyt, which was made at the Belgorodenergo branch

Replenishment of reserves, and a reduction by RUB 0.87bn due to replenishment of bad debt provisions at Lipetskenergo and Smolenskenergo

Miscellaneous costs decreased by RUB 2.9bn year-on-year due to the following

Losses of previous years identified in the reporting period, an increase by RUB 1.60bn due to posting of corrective protocols for electricity transmission

Interest payable, an increase by RUB 0.39bn according to the effective loan agreements

Miscellaneous costs, an increase by RUB 2.79bn mainly due to a contract for assignment of the right of claim between IDGC of Centre and Belgorod Energy Sales Company LLC concerning electricity transmission services rendered by OJSC Belgorodenergosbyt, which was made at the Belgorodenergo branch

Reserves, a reduction by RUB 7.64bn mainly due to establishment of bad debt provisions at Bryanskenergo, Voronezhenergo, Smolenskenergo, Tverenergo, and Yarenergo in 2013

NET PROFIT

In 2014, the profit before tax amounted to RUB 4.9bn, which was an increase of RUB 3.0bn in comparison with 2013. The profit tax and other similar mandatory charges amounted to RUB 1.5bn.

In 2014, the net profit amounted to RUB 3.3bn, which was RUB 3.0bn less than in 2013. The increase of the Company's net profit was largely affected by the reduction of miscellaneous costs by RUB 3.3bn, increase of miscellaneous earnings by RUB 1.6bn, and reduction of selling costs by RUB 0.54bn.

The structure of the net profit in 2012–2014 was as follows, RUB bn

Parameter	2012	2013	2014	Deviation, 2014/2013	
				RUB bn	%
Net profit	3.5	0.3	3.3	3.0	1,000.0
In particular:					
from electricity transmission	2.4	-1.0	2.8	3.8	-
from grid connection*	0.7	0.5	0.9	0.4	80.0
from electricity sales	-	0.4	-0.8	-1.2	-
other	0.31	0.35	0.40	0.05	14.3

* The sum of technical connection liabilities that are included in the net profit.

The distribution of profits in 2012–2014 pursuant to the resolutions of the General Meeting of Shareholders was as follows

Parameter	Measurement unit	For 2011	For 2012	For 2013	Deviation, 2013/2012	
					abs.	%
Retained net earnings	RUB mln	5,203.5	3,450.7	292.9	-3,157.8	-91.5
in particular:						
Reserve fund	RUB mln	-	-	-	-	-
Profit for development	RUB mln	4,781.3	2,587.8	216.9	-2,370.9	- 91.6
Dividends	RUB mln	422.2	862.9	75.99	-786.91	- 91.2
Share in the net profit	%	8.1	25.0	25.9	0.9	-
Repayment of losses of previous years	RUB mln	-	-	-	-	-
Amount of dividends per 1 share	RUB	0.01	0.02044	0.0018	-0.01864	- 91.2



The decision on distribution of profits based on 2014 results will be made at the Annual General Meeting of Shareholders in view of the recommendations of the Board of Directors of the Company.

FINANCIAL STABILITY (RAS)

THE PARAMETERS CHARACTERISING THE FINANCIAL STANDING OF THE COMPANY IN 2012–2014 WERE AS FOLLOWS

Parameter	Measurement unit	2012	2013	2014	Deviation, 2014/2013, p./p.p./%
Liquidity ratios					
Absolute liquidity ratio	-	0.07	0.07	0.02	-0.05
Quick liquidity ratio	-	1.06	1.04	0.87	-0.17
Current liquidity ratio	-	1.16	1.19	0.96	-0.23
Ratio of sufficiency of own working capital	-	0.14	0.16	-0.04	-0.2
Ratios of financial stability					
Net asset value	RUB bn	53.5	53.0	56.2	6.0%
Ratio of overdue accounts payable	%	19	9	18	9
Autonomy (financial independence) ratio	-	0.54	0.50	0.50	-
Profitability ratios					
Profitability of sales by gross profit	%	16.6	15.9	14.7	-1.2
Profitability of sales by net profit	%	5.0	0.3	3.8	3.5
Operating profitability	%	6.5	2.1	5.6	3.5
ROE	%	6.4	0.6	6.1	5.5
Profitability by EBITDA	%	17.9	12.5	18.0	5.5
Business activity ratios					
Turnover of assets	times	0.8	0.9	0.8	-11.1%
Turnover of accounts receivable	times	6.4	7.0	5.8	-17.1%
Turnover of accounts payable	times	7.4	8.6	8.7	1.2%
Ratio of accounts receivable and payable growth rates	-	1.1	1.0	1.5	0.5
Ratio of total accounts receivable and payable	-	1.2	1.2	1.8	0.6
Ratio of the most liquid accounts receivable and payable	-	2.2	1.8	2.8	1.0

LIQUIDITY RATIOS

The reduction of liquidity ratios as of the end of 2014 was due to a change in the liability structure, namely, the move of some loans that are due before the end of 2015 from long-term liabilities to short-term liabilities. In particular:

- As of 31.12.2014, the absolute liquidity ratio was 0.02, which is 0.05 p. less than on 31.12.2013. The reduction of this ratio was also affected by the reduction of the amount of cash and equivalents as of the end of 2014. This ratio characterises the capacity of the Company to pay its short-term liabilities with free cash and short-term

financial investments.

- The quick liquidity ratio represents the coverage of short-term liabilities with highly liquid and medium liquidity current assets. As of the end of 2014, this ratio amounted to 0.87.
- The current liquidity ratio as of 31.12.2013 was 1.19. As of 31.12.2014, the value of this ratio was 0.96.
- Despite the growth of current assets in 2014 by RUB 2.7bn, the ratio of sufficiency of own working capital as of 31.12.2014 amounted to -0.04.

RATIOS OF FINANCIAL STABILITY

The ratio of overdue accounts payable for 2014 increased by 9 p.p. or RUB 0.9bn, which was due to an increase of accounts receivable.

The autonomy (financial independence) ratio as of 31.12.2014 was 0.50. This ratio characterises the share of own funds in the total assets of the Company. It did not change as of the end of 2014.

PROFITABILITY RATIOS

The profitability ratios characterise the efficiency of the Company's operations. The profitability of sales by gross profit in 2014 amounted to 14.7%, which is 1.2 p.p. less than last year. The other profitability ratios showed growth as of the end of 2014.

EBITDA due to a reduction of the established bad debt provisions by RUB 8bn in 2014 as compared to 2013.

The return on equity ratio (ROE) amounted to 6.1% in 2014. This ratio improved in 2014 as compared to 2013, which was due to growth in the Company's net profit.

The reasons for the positive dynamics of the profitability ratios were the increase of the Company's net profit and

BUSINESS ACTIVITY RATIOS

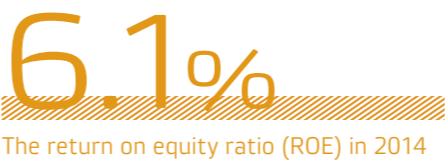
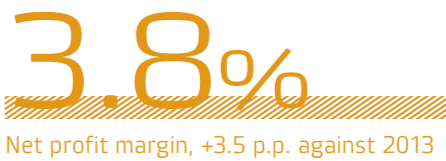
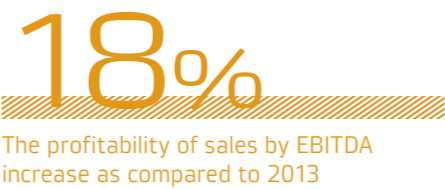
The turnover ratios are used for analysis of the efficiency of management of the Company's liabilities.

The turnover of assets is a financial factor of how efficiently the company uses the total of its assets. Through 2014, the turnover of assets decreased by 11.1% because the revenue went down by RUB 6.2bn. The revenue reduction was due to the fact that the functions of guaranteeing suppliers were transferred to companies that won tenders of the Ministry of Energy of Russia.

The turnover of accounts receivable by the results of the financial and business operations in 2014 reduced by 17.1%, which was due to growth of accounts receivable, which was in its turn caused by poor payment discipline of consumers and sales companies and a change in contract terms (transfer to payment for the actual consumption and abandonment of advance payments).

The turnover of accounts payable characterises the speed of repayment of debt to suppliers and contractors. This ratio increased by 1.2% in 2014, which was mainly due to a reduction in accounts payable by RUB 1.5bn.

The turnover of accounts receivable characterises the speed of repayment of accounts receivable.



ACCOUNTS RECEIVABLE AND PAYABLE

The dynamics of accounts receivable in 2012–2014 was as follows, RUB bn

Parameter	2012	2013	2014	Deviation, 2014/2013	
				RUB bn	%
Accounts receivable	13.5	13.0	16.7	3.7	28.5%
In particular:					
buyers and customers	11.7	11.1	13.9	2.8	25.2%
notes receivable	-	-	-	-	-
accrued dividends of subsidiaries and affiliates	-	-	-	-	-
advances made	0.49	0.17	0.43	0.26	152.9%
other debtors	1.31	1.73	2.37	0.64	37.0%

The increase of accounts receivable by RUB 3.7bn was due to poor payment discipline of consumers and sales companies, in particular:

- An increase in debt for electricity transmission of RUB 4.9bn
- An increase in debt for grid connection of RUB 0.14bn

- A reduction in debt for sold electricity of RUB 2.2bn

The change was due to the fact that the functions of guaranteeing suppliers were transferred to companies that won tenders of the Ministry of Energy of the Russian Federation.

The dynamics of accounts payable in 2012–2014 was as follows, RUB bn

Parameter	2012	2013	2014	Deviation, 2014/2013	
				RUB bn	%
Accounts payable	11.0	10.7	9.2	-1.5	-14.0
In particular:					
suppliers and contractors	5.6	6.2	5.3	-0.9	-14.5
notes payable	-	-	-	-	-
accrued wages	0.35	0.01	0.05	0.04	400
accrued charges to state extrabudgetary funds	0.24	0.31	0.33	0.02	6.5
accrued taxes and levies	0.48	0.79	0.62	-0.17	-21.5
advances received	4.05	2.6	2.3	-0.3	-11.5
accrued dividends	0.01	0.02	0.01	-0.01	-50.0
Other creditors	0.27	0.77	0.59	-0.18	-23.4

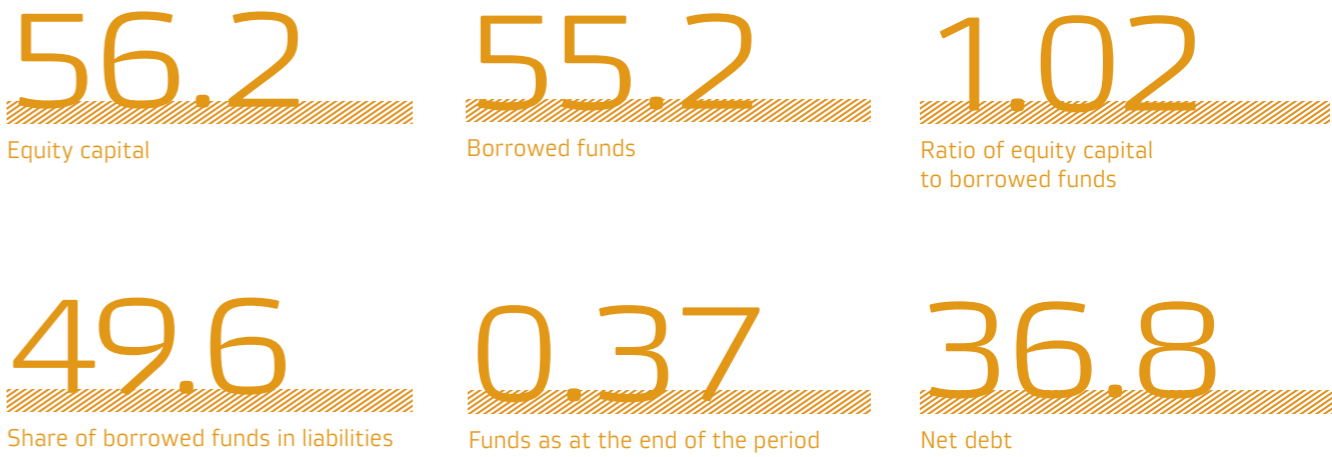
The reduction of accounts payable by RUB 1.5bn was mainly due to reductions in the following items:

- Suppliers and contractors (RUB 0.9bn). The deviation is due to repayment of debt to counterparts in accordance with the contractual liabilities.
- Taxes and levies (RUB 0.17bn), the debt is short-term.
- Advanced received (RUB 0.3bn), change of contract terms (abandonment of advance payments).
- Other creditors, reduction by RUB 0.18bn.

For control over discharge of contractual liabilities, reports on the flow of accounts receivable and accounts payable were made and analysed monthly. In the event of any debt of more than 30 days, steps were taken in accordance with the regulations.

CAPITAL

Capital, RUB bn, 2014



The structure of capital of IDGC of Centre in 2012–2014 was as follows, RUB bn

Parameter	Measurement unit	2012	2013	2014	Deviation, 2014/2013	
					RUB bn	%
Equity	RUB bn	53.5	53.0	56.2	3.2	6.0
Borrowed funds	RUB bn	45.6	52.0	55.2	3.2	6.2
In particular:						
Loans	RUB bn	26.4	33.1	37.2	4.1	12.4
accounts payable	RUB bn	11.0	10.7	9.2	-1.5	-14.0
Ratio equity and borrowed funds	-	1.18	1.02	1.02	-	-
Share of borrowed funds in liabilities	%	46.0	49.5	49.6	0.1	0.2
Cash at the end of the period	RUB bn	0.95	1.03	0.37	-0.66	-64.1
Net debt	RUB bn	25.5	32.0	36.8	4.8	15.0

At the end of 2014, the equity of IDGC of Centre amounted to RUB 56.2bn, which was 50.4% of the Company's total capital. The increase in the Company's equity by RUB 3.2bn (in absolute terms) was due to a positive financial result of the considered year. In particular, net profit increased by RUB 3.0bn in comparison with 2013.

In 2014, the share of long-term liabilities in the capital of the Company was reduced to 32%, while in 2013 it amounted to 36%. The capital structure change was mainly due to the move of some loans that are due before

the end of 2015 from long-term liabilities to short-term liabilities. The share of short-term liabilities in total liabilities by results of financial and business operations in 2014 amounted to 18%.

The net debt increased by 15% as a result of the increase of borrowed funds for funding the operating and investment activity of the Company by RUB 4.1bn.

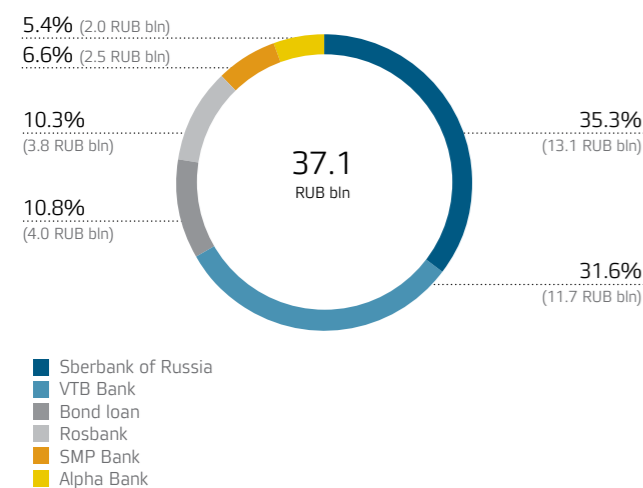
CREDIT PORTFOLIO

The emphasis of the credit policy of IDGC of Centre is on drawing long-term borrowings. The maximum maturity of loans that were drawn in 2014 is 37 months.

The increase of the loan debt in 2014 amounted to 12.8%, or RUB 4.2bn as compared to 2013; in 2013, it increased by 25.6% or RUB 6.7bn as compared to 2012.

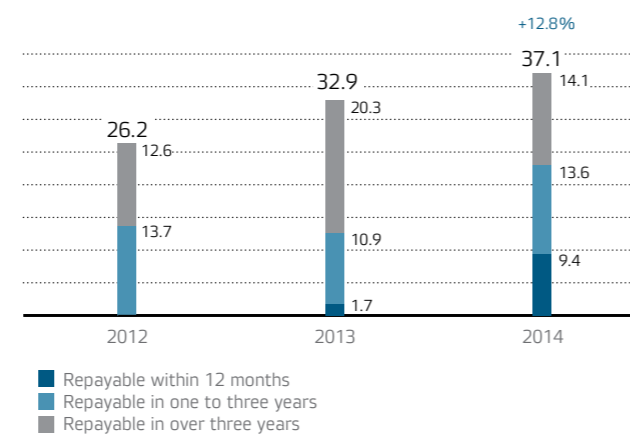
The main creditors of IDGC of Centre are major Russian banks with a high degree of reliability. The Company borrows most of its loans at VTB Bank, Sberbank of Russia, and Rosbank. In 2012, the credit portfolio was diversified with BO-01 stock exchange bonds placed for a total amount of RUB 4.0bn.

Credit portfolio diversification in 2014

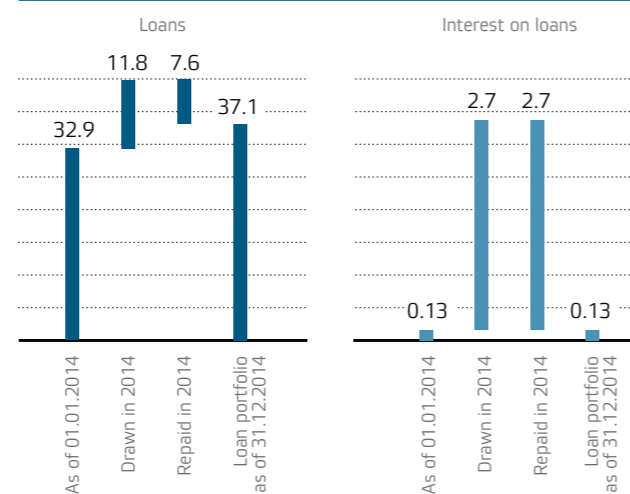


The data on stock exchange bonds is provided in the "Corporate Governance. Securities" section of the Annual Report and on the Company's website.

The structure of the debt portfolio by maturities in 2012–2014 was as follows, RUB bn



The change of the credit portfolio in 2014 was as follows, RUB bn



WEIGHTED AVERAGE RATE

The increase of the average rate by 1.57 p.p. as compared to 2013 was due to the significant increase of the key rate of the Bank of Russia and the increase of the bank rates that followed.

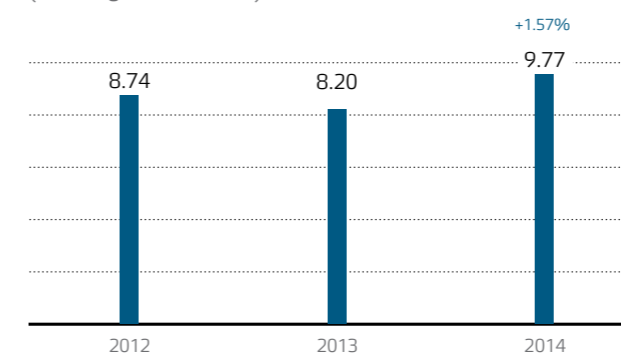
IDGC of Centre takes its loans and borrowings without collateral.

9.77%

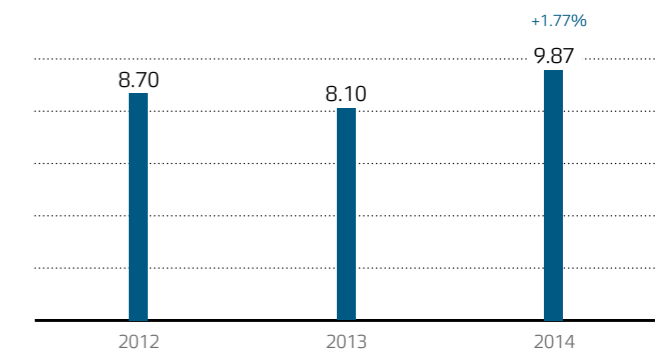
The weighted average rate on borrowings in 2014

Weighted average dynamics, %

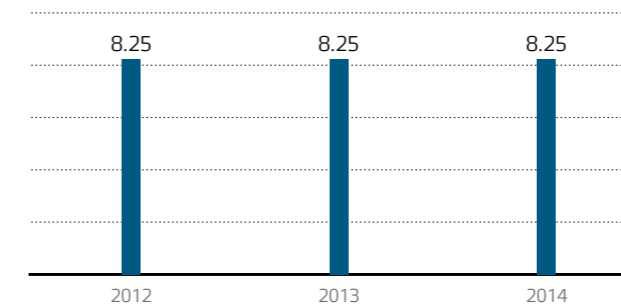
Weighted average rate on all drawn funds (including the bond loan)



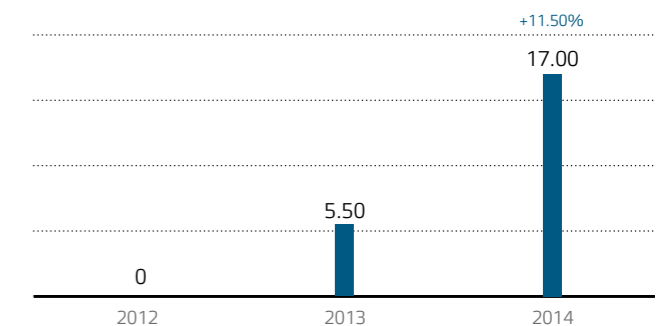
Weighted average rate on all drawn bank loans



Refinance rate of the Central Bank of Russia



Key rate of the Bank of Russia



INVESTMENTS

All measures under the investment programme were carried out according to the planned indicators and requirements that were approved by the authorities of the regions where the Company operates.



Actual investment by branches is specified in Appendix No. 2.4 to the Annual Report.

Actual IDGC of Centre investment in 2012–2014

Period	Capital investment (excl. VAT)	Commissioning of fixed assets (excl. VAT)	Financing (incl. VAT)	Commissioning of capacity		Capacity increase	
	RUB bn.			km	MVA	km	MVA
2012	15.8	16.9	19.2	8,026	1,518	4,481	1,342
2013	14.4	16.0	17.6	5,689	1,362	3,112	891
2014	12.2	12.9	14.2	5,110	1,107	2,560	602

AREAS AND STRUCTURE OF CAPITAL INVESTMENT FINANCING

Capital investments, RUB bn

Purpose	Amount of investment			Share in total investments 2014, %
	2012	2013	2014	
Retrofitting and reconstruction	8.2	7.2	6.8	55.8
New construction and further development	7.2	7.1	5.3	43.8
Purchase of power grid assets, as well as implementation of other programmes and events	0.4	0.1	0.1	0.4
Total	15.8	14.4	12.2	100
Variance, %		-8.8	-15.3	

In 2014, capital investments were down 15.3%, totalling RUB 12.2bn. The Company reduced funding of the 2012–2014 Investment Programme due to limited sources of funding as a result of the current policy of increasing operational

efficiency. Capital investment was curtailed by optimising the Retrofitting and Reconstruction Programme and taking measures to control unit costs of construction and reconstruction of capital facilities.

12.2 RUB bn
Capital investment amount

5,110 km
and 1,107 MVA – commissioning of capacity

In 2014, financing of the investment programme amounted to RUB 14.2bn, and was done using the following sources:



For more detailed information on areas and structure of the investment programme financing in 2012–2014, as well as on the most important projects implemented in the reporting year, please see Appendix No. 2.4 to the Annual Report.

Investment programme funding sources for 2012–2014, RUB bn

Sources	2012	2013	2014
Internal sources	13.96	12.13	12.38
Net profit including other own sources	5.37	2.48	2.42
Depreciation	6.17	7.54	7.93
VAT recovery	2.42	2.11	2.03
External sources	5.23	5.49	1.86
Bank loans	4.51	5.12	1.86
Other external funds	0.72	0.37	0
Total	19.19	17.62	14.24

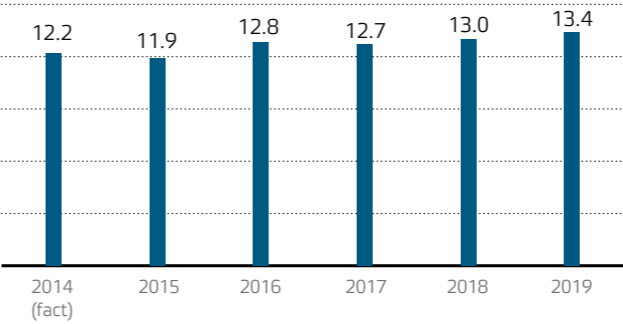
LONG-TERM INVESTMENT PROGRAMME

The development of the long-term programme of the Company involved scenarios for the development of the electric power industry of the Russian Federation, the requirements of the industry’s technological policy, and socio-economic growth forecasts for the regions.

The planned capital investment of the investment programme for 2014-2019 provides for an increase in investment with no significant changes in dynamics.

The dynamics of capital investment is determined by the flow of funding sources being used. The reduction of borrowings is covered by the increase in using internal funding sources (including depreciation and operating profit). As a result, the redistribution between internal and borrowed sources in the planning period will cause no decrease in capital investment and will have no impact on performance by the Company of the electric reliability improvement programme, as well as obligations for grid connection of applicants, being provided by engineering requirements and standard regulations of the Russian Federation.

Planned capital investments in 2014–2019, RUB Bn*



* Approved by the Board of Directors of IDGC of Center within the Company’s adjusted investment programme for 2014–2019, Minutes dd March 14, 2014 No 06/14, and approved in the established procedure in 2014 by executive bodies of subjects of the Russian Federation under the Resolutin of the Government of the Russian Federation dd December 01, 2009 No 97.



Planned capital investment of the investment programme for 2014–2019 by branches is specified in Appendix No. 2.4 to the Annual Report.



04

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PRINCIPLES

ENFORCEMENT OF SHAREHOLDERS' RIGHTS

Shareholders participate in the process of managing IDGC of Centre by taking relevant decisions; their representatives hold offices in the management bodies and advisory bodies of the Company.

The Company provides shareholders and investors with timely information about the Company's events in order to make all necessary decisions over the issue of securities.

The right to receive income is exercised by creating a positive dividend history during the last four years.

In order to secure registration and control over the rights to shares, the share register is maintained by an independent registrar. Reestr-RN LLC has an undisputable reputation, necessary technologies and qualified professionals.

CORPORATE GOVERNANCE CODE OF THE BANK OF RUSSIA

For all corporations, the key event of 2014 was the approval by the Bank of Russia of a new edition of the Corporate Governance Code. The updated code sets new goals for improving corporate governance practice for companies.

IDGC of Centre is no exception, and strives to comply with the following code principles:

- just and equal treatment of all shareholders when exercising their rights to participate in the management of the Company;
- compliance with the principles of fairness, transparency, and accountability of the Company's management bodies

to the shareholders, in particular, accountability of the Company management to the Board of Directors and the General Meeting of Shareholders, controllability of financial and utility-related operations and observance of third-party interests.

In perspective, for maximum compliance with the Corporate Governance Code recommendations, the Company plans to update its internal documents, to increase the number of independent members of the Board of Directors, as well as to hold other measures to improve corporate governance practices.

CORPORATE GOVERNANCE RATING

Since 2007, IDGC of Centre has conducted an independent evaluation of the Company's corporate governance.

In 2014, the Russian Institute of Directors confirmed the NRCG 7+ rating (National Corporate Governance Rating) of IDGC of Centre, that is, Developed Corporate Governance Practice.

According to NPO RID, the Company has low corporate governance risks. The Company complies with the Russian corporate governance regulations, and follows most of

the recommendations of the Russian Corporate Governance Code and certain recommendations of global best corporate governance practices.



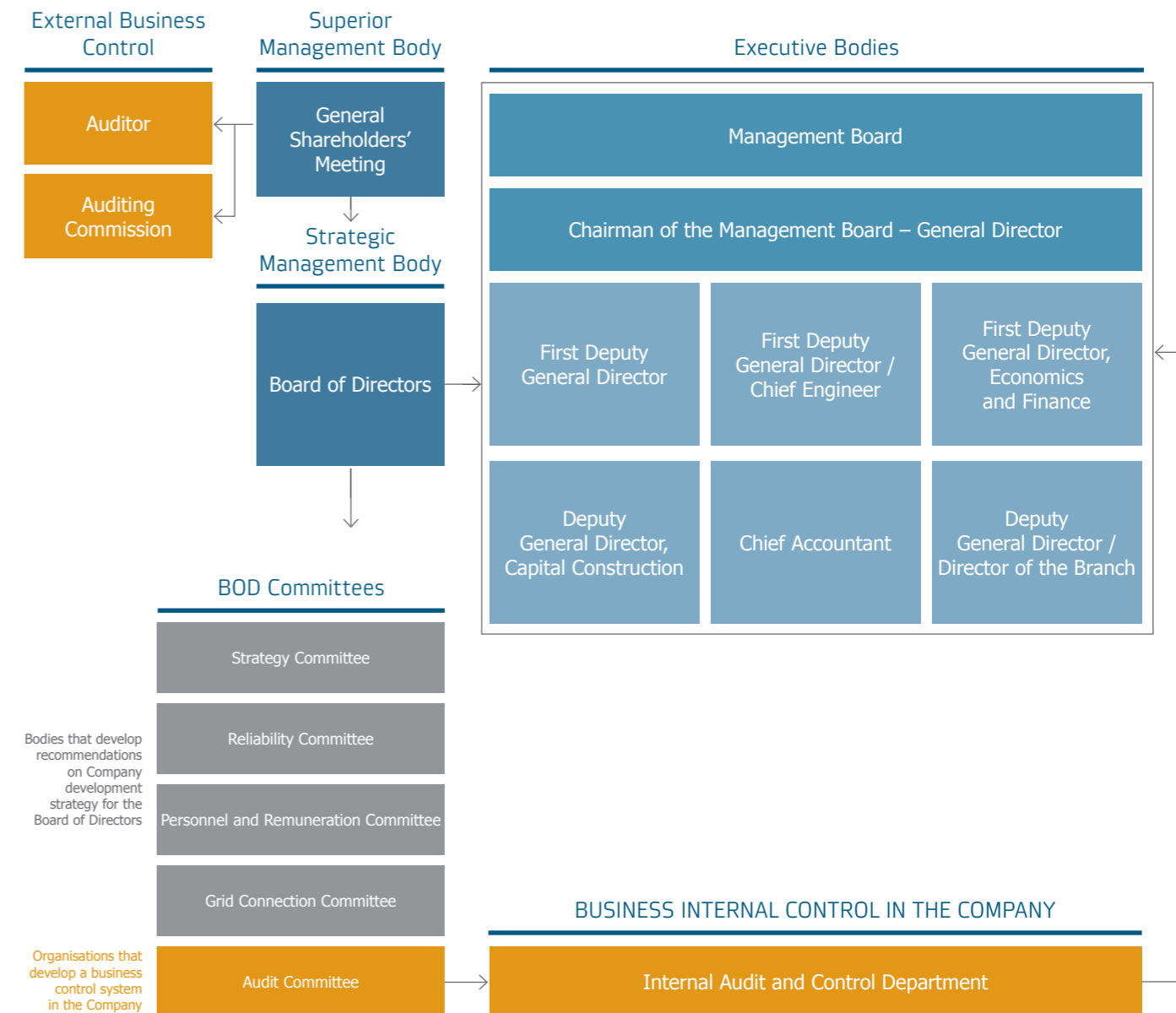
Corporate governance rating.

THE COMPANY'S TRANSACTION APPROVAL POLICY

Major transactions and interested party transactions at IDGC of Centre are subject to the approval of the Company's management bodies according to the Joint-stock Companies Federal Act and the Charter of the Company. However,

the Board of Directors' responsibilities as far as preliminary approval of transactions involving the Company's assets is concerned, were extended to reduce the risk of improper disposal of the Company's assets.

MANAGEMENT AND REGULATORY BODIES



The detailed information on the Company's compliance with the Corporate Governance Code is provided in Appendix No. 3 to the Annual Report.



For details on interested party transactions made by IDGC of Centre in 2014, please see Appendix No. 4 to the Annual Report.

MANAGEMENT BODIES

GENERAL MEETING OF SHAREHOLDERS

The General Shareholders' Meeting is the Company's supreme management body. The shareholders exercise their rights to manage the Company's operations by voting, proposing issues to the agenda of the meeting and by recommending candidates to the management and regulatory bodies of the Company.

On June 26, 2014, the Annual General Meeting of Shareholders of IDGC of Centre was held in the form of shareholders' joint attendance. The holders of over 90% of the Company's voting shares took part in the Meeting.

- The General Meeting of Shareholders was chaired by the General Director of the Company Oleg Yu. Isaev. The following resolutions were made at the meeting:
- the annual report and annual financial statements of the Company for 2013 were approved;
 - profit distribution for 2013 was approved. – 25.9% was allocated to pay dividends on common shares, the rest was allocated for Company growth;
 - new members of the Board of Directors and the Audit Committee of the Company were elected;

- Ernst & Young LLC was approved as the Company's Auditor;
- the Charter of the Company, as well as internal documents, were approved as amended: Regulation on the procedures for planning and holding the General Shareholders' Meeting, Regulation on the Audit Committee of the Company.

The resolution on approval of the liability insurance contract, being an interested party transaction for directors and officers of the Company, was not passed.

No Extraordinary General Meetings of Shareholders were held in 2014.



For details on voting results, and resolutions passed by the Annual General Meeting of Shareholders, please visit the Company's corporate website.

DIVIDEND POLICY

- The dividend policy of IDGC of Centre is aimed at observance of rights and interests of shareholders of the Company, as well as provision of transparent determination of the dividend amount and its payment procedure. Since 2010, IDGC of Centre has made annuity payments of dividends with a strict observance of shareholder rights provided by the current legislation of the Russian Federation, the Charter and internal documents of the Company, including the Regulation on the Dividend Policy of IDGC of Centre. The Company's actions are based on the following principles:
- Compliance of the dividend treatment practices adopted by the Company with the Russian law and best corporate behavior standards.

- Optimum balance between interests of the Company and Shareholders.
- Strengthening investment potential and capitalisation of the Company.
- Providing transparent (obvious) determination of the dividend amount and its payment procedure.
- Calculation of dividends is based on profit allocation disregarding the influence of financial investment revaluation. The necessity to maintain the required level of financial and technical condition of the Company, providing development prospects.



For details on the Regulation of the Company's Dividend Policy, please visit our corporate website.

Dividend history in 2012–2014

Indicator under RAS	Dividends stated for:		
	2011	2012	2013
Total dividends, RUB thou	422,179	862,935	75,992
Dividend per share, RUB	0.01	0.02044	0.0018
Share of net profit under RAS to pay dividends, %	8.11	25.01	25.94
Date of the GSM on which the decision on dividend payments was made	15.06.2012	14.06.2013	26.06.2014
Share of dividends paid, %*	99.02	99.05	98.93

* Information as at December 31, 2014. Dividends were not paid to shareholders failing to submit their banking details under Clause 5, Article 44 of Federal Act No. 208-FZ On Joint-stock Companies dd. 26.12.1995, or who submitted inaccurate details. Dividends accrued on unidentified shares are paid after the shareholder rights to the shares are established.

The amount of dividend payment in 2014 will be established by the Annual General Meeting of Shareholders of IDGC of Centre in June 2015.

The decision to pay dividends is based on the following criteria:

Criteria	Fulfillment in:				Notes
	2011	2012	2013	2014, plan	
Main					
Receipt of net profit for the financial year	+	+	+	+	Not including revaluation of financial investment
Debt/EBITDA < 3	+	+	+	+	Calculation based on the current Regulation on the Company's Loan Policy. If this criteria is not met, debt payment takes priority over dividend payment.
Additional					
Absence of major technical violations	+	+	+	+	The limit for failures described in Clause 2.1 may not be exceeded. Instructions to investigate and report technological violations associated with power grids, power plants, boilers, power and heating grids RD153-34.0-20.801-2000 approved by the Ministry of Energy of the Russian Federation on December 29, 2000.
Meeting reliability target in the Company's KPI	+	+	+	+	

THE FORMULA FOR CALCULATING DIVIDENDS STIPULATED BY THE REGULATION ON THE DIVIDEND POLICY OF IDGC OF CENTRE:

DIV = NP — PROV RF' — PD — PL

where:

DIV – total amount of net profit to pay dividends;
NP – net profit for the financial year (not including revaluation of financial investment) received in accordance with the long-term regulatory indicators established for the Company;
PROV RF' – mandatory provisions to reserves and other funds under the Charter of the Company; correlation with the total provisions matches the share of profit not

including revaluation of financial investments in total net profit;
PD – share of profits for investment and development of the Company;
PL – share of profits to cover operating losses of the previous years, if any (not more than 0.5*(NP — ProvRF'— PD)).

TAXATION OF DIVIDEND PAYMENTS

The dividends paid by the Company are taxable under Articles 224 and 284, Part 2 of the Russian Tax Code at the following rates:

Russian resident, holding at least 50% of the Company's Charter within 365 calendar days*	Corporate income tax		Personal income tax	
	Russian resident	Foreign resident	Russian resident	Foreign resident
0%	9%	15%**	9%	15%

* Holding at least 50% of the Company's charter capital continually for at least 365 calendar days as of the date on which the decision on dividend payments is made.

** Except for cases where tax rebates are applied.

A 30% tax rate is applied to the income of persons whose information has not been submitted to the tax agent according to the requirements of Articles 214.6 and 310.1 of the Russian Tax Code, whose shares are included in a securities account of a foreign nominee holder, a securities account of an authorised foreign holder and/or a securities account of depositary programmes.

In cases where a double taxation treaty applies, tax payments are made at the rate specified therein.



For details on the Dividend Policy and the dividend history, please visit our corporate website.

CORPORATE SECRETARY

The corporate secretary of IDGC of Centre operates under the Company's Charter and Regulation on the Corporate Secretary (approved by the Board of Directors, Minutes dd. November 02, 2012 No. 26/12).



For details on the Regulation on the Corporate Secretary, please visit our corporate website.

FUNCTIONS OF THE CORPORATE SECRETARY OF THE COMPANY

- Organising and holding the General Meeting of Shareholders.
- Maintaining the Board of Directors and five committees under the Board of Directors.
- Assisting the members of the Board of Directors and committees in exercising their functions.
- Arranging interaction between the Company and its shareholders and others.

Svetlana V. Lapinskaya is the corporate secretary of the Company (resolution by the Board of Directors of IDGC of Centre, Minutes dd. July 14, 2014 No 16/14).

She also fulfills the function of the Head of Company Corporate Events. She was born in 1980 and is a Russian citizen. She has a law degree. She has been working in IDGC of Centre for over 10 years. Svetlana V. Lapinskaya does not own any shares of the Company or its subsidiaries. There have been no claims filed against the corporate secretary.

The Corporate Secretary is elected by the first meeting of the Board of Directors for the upcoming year until the next Annual General Shareholders' Meeting of the Board of Directors of the Company. In its operations, the Corporate Secretary reports to the Board of Directors of the Company.

BOARD OF DIRECTORS

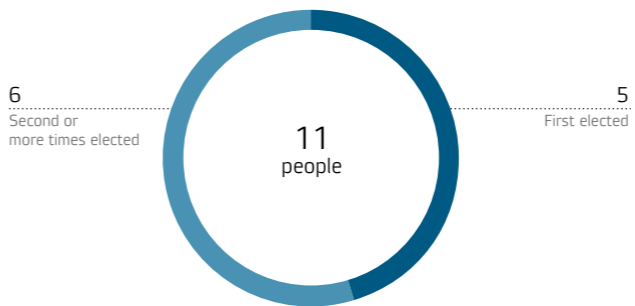
The Board of Directors of IDGC of Centre exercises strategic management of the Company, as well as general control over its operations and supervision of the Company's executive bodies.

Activities of the Board of Directors of IDGC of Centre are conducted according to the following internal documents of the Company:

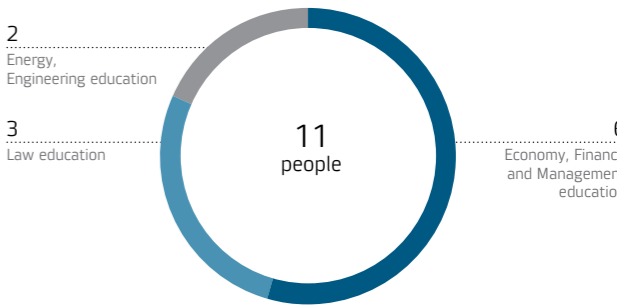
- Regulation on the procedures for convening and holding meetings of the Board of Directors (approved by the Annual GSM, Minutes dd. June 20, 2012 No. 01/12).
- Regulation on the Corporate Secretary of the Company (approved by the Board of Directors, Minutes dd. November 02, 2012 No. 26/12).

Diversified Structure of the current Board of Directors

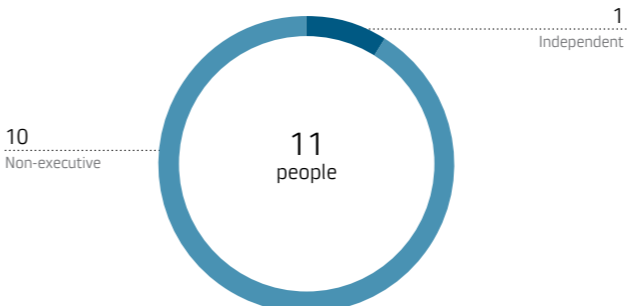
NUMBER OF NEW MEMBERS IN THE BOARD OF DIRECTORS



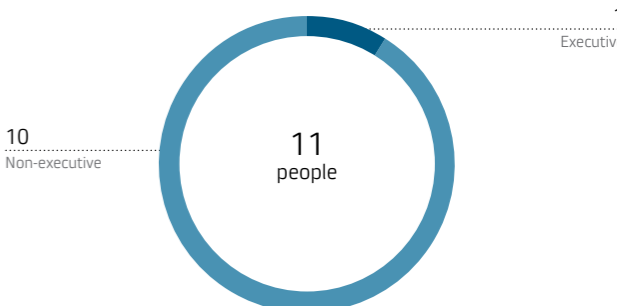
EDUCATION OF MEMBERS OF THE BOARD OF DIRECTORS



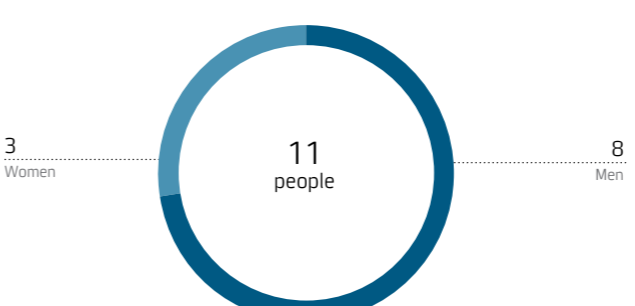
INDEPENDENT DIRECTORS OF THE BOARD OF DIRECTORS



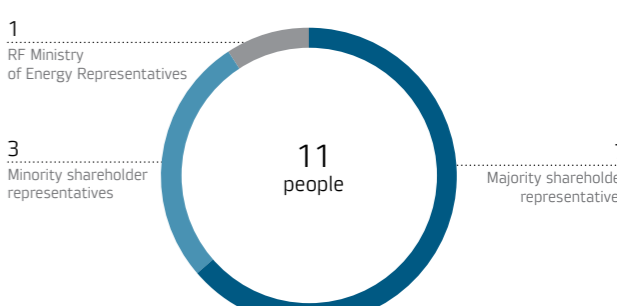
NON-EXECUTIVE DIRECTORS IN THE BOARD OF DIRECTORS



GENDER COMPOSITION OF THE BOARD OF DIRECTORS



REPRESENTATIVES IN THE BOARD OF DIRECTORS



For details on the members to the Board of Directors of the Company, please visit our corporate website.

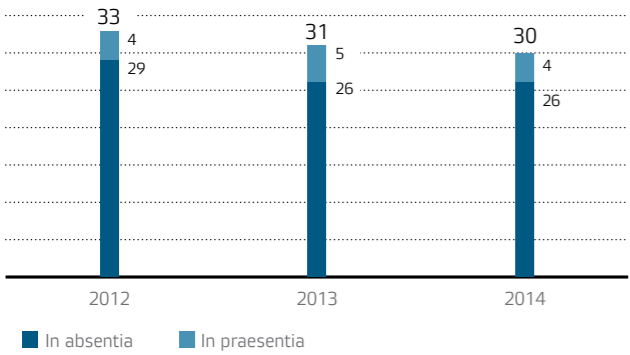


For details on the Regulation on the procedures for convening and holding meetings of the Board of Directors, please visit our corporate website.

MEETINGS OF THE BOARD OF DIRECTORS

In accordance with the established procedure, meetings of the Board of Directors of the Company take place on a regular basis in accordance with a preagreed plan of activities at least once every six weeks. Members to the

Form of Meetings of the Board of Directors

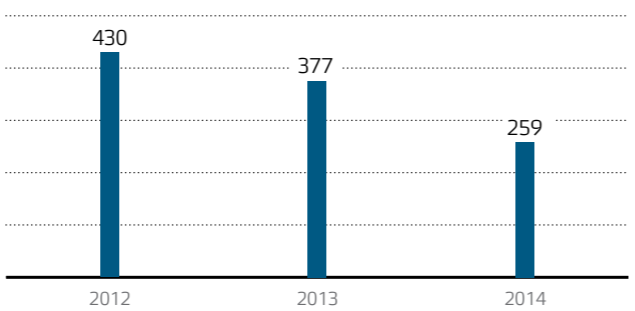


Thirty meetings of the Board of Directors took place in 2014, including four on-site meetings. During these meetings, 259 issues were treated. The major issues are as follows:

- reports of the General Director on core operations of the Company;
- decisions concerning approval of business priorities, various programmes, plans and internal documents;
- decisions connected to convening and holding the Annual General Meeting of the Shareholders of the Company and its Subsidiaries;
- approval of the Company's transactions, including related-party transactions.

Board of Directors are provided with the information and materials necessary to prepare for the meetings in advance, i.e. no later than 15 business days before the meeting day.

Number of Issues Addresses by the Board of Directors



Such issues as approval of the Company's business plan for the upcoming year, including the investment programme, and reports on fulfillment of the business plan, the Company's KPI and reports on their achievement are not only addressed during the on-site Board meetings, but are also preliminarily discussed and approved during the meetings of the Strategy and Development Committee. Thus, the Company strives to make the most weighted decisions.



For details on resolutions passed by the Board of Directors of the Company, please visit our corporate website.

Activity of the Board members at Board meetings in 2014 and their participation in Committee meetings

Full name of the Board member	Board of Directors	Committees under the Board of Directors				
		Strategy and Development	Audit	Reliability	Grid Connection	Personnel and Remuneration
Board Members throughout 2014						
Alexander M. Branis	28/30	-	-	-	-	-
Oleg Yu. Isaev	30/30	-	-	-	-	-
Maxim M. Saukh	30/30	16/16	8/8	-	-	10/10
Roman A. Filkin	28/30	14/16	13/14	-	-	17/19
Oksana V. Shatokhina	30/30	-	14/14	-	-	10/10
Board members till June 26, 2014						
Sergey A. Arkhipov	15/15	-	-	-	-	10/10
Valery A. Goncharov	15/15	-	-	-	-	-
Sergey A. Demin	15/15	-	8/8	-	-	-
Madina V. Kaloyeva	15/15	-	-	-	-	-
Alexey V. Molsky	15/15	-	-	-	-	-
Alexander V. Shevchuk	15/15	16/16	8/8	-	6/6	10/10
Board members elected before June 26, 2014						
Denis V. Kulikov	15/15	-	6/6	-	7/7	9/9
Maria V. Lazareva	15/15	-	-	-	-	8/9
Yury N. Mangarov	15/15	-	6/6	-	-	9/9
Pavel N. Snikkars	13/15	-	-	-	-	-
Vladimir V. Sofyin	15/15	-	6/6	-	-	-
Natalia I. Erpsher	15/15	-	-	-	-	9/9

ACTIVITIES IMPLEMENTED BY THE MANAGEMENT ON PRIORITY AREAS APPROVED BY THE BOARD OF DIRECTORS

CERTIFICATION OF EQUIPMENT, MATERIALS AND SYSTEMS

The regulation «Organisation of work of the Commission to receive equipment, materials and systems in IDGC of Centre» was developed (Minutes of the Board of Directors dd.02.06.2014 № 13/14).

The Commission was created to receive equipment, materials and systems in order to make decisions about use of non-certified equipment, materials and systems at the Company's facilities.

ENSURING AVAILABILITY OF ENERGY INFRASTRUCTURE AND QUALITY OF CONNECTION TO THE ELECTRICITY GRID

The program of activities of the Company in the execution of the roadmap of the Government of the Russian Federation "Improving access to energy infrastructure" was approved (Resolution of the Government of the Russian Federation dd. 30.06.2012 № 1144-r). The regulation on grid connection was updated, which takes into account changes in the legislation. Methodical instructions "Order of determination of a connection point with respect to the borders of the consumer in the preparation of technical specifications for grid connection of consumers and procedure of

rendering additional services to customers regarding execution of work to install service entry and connect the consumer from the connection point" were approved. Standard forms of grid connection contracts were implemented, taking into account changes in the legislation. Standard forms of grid connection contracts with maximum capacity of over 670 kW and drafts of technical specifications for grid connection were approved (Minutes of the Board of Directors dd.29.08.2014 No. 19/14).

IMPROVEMENT OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM, DEVELOPMENT OF THE INTERNAL AUDIT FUNCTION

The following was approved: Internal Audit Policy, Internal Control Policy, Risk Management Policy (Minutes of the Board of Directors dd. 22.08.2014 No. 18/14); "Registry of key operational risks" (Minutes of the Board of Directors dd. 30.09.2014 No. 22/14); "Registry of operational risks

of core business processes" (Order of the Company dd. 29.09.2014 No. 291-CA); "Registry of operational risks of other business processes" (Order of the Company dd. 31.12.2014 No. 397-CA).

REMUNERATION OF THE BOARD MEMBERS

Members of the Board of Directors of IDGC of Centre receive remuneration under the Regulation on Remuneration and Compensation to the Members of the Board of Directors of IDGC of Centre, which sets out payment conditions and procedures, as well as the procedure for calculating the amount of remuneration (approved by the Annual GSM, Minutes dd. June 03, 2008 No. 01).



For details on this document, please visit our corporate website.

Remuneration paid out to the BOD members in 2014

Type of remuneration	Amount of remuneration, RUB k (including personal income tax)
Remuneration for involvement in the activities of a management body	12,990
Including:	
for participation in the meetings in 2014	10,159
additional remuneration for the 2013 results	2,830
Other types of remuneration	1,021*
Total	14,011

Other types of remuneration, including reimbursement of expenses, were not paid in 2014.

Compensation to the members of the Board of Directors of IDGC of Centre, paid by the Company in 2014 by individual, RUB thou**

No	Full name of the Board Member	Individual remuneration in 2014
1	Sergey A. Arkhipov	895
2	Alexander M. Branis	1,086
3	Valery A. Goncharov	534
4	Sergey A. Demin	596
5	Oleg Yu. Isaev	1,106
6	Denis V. Kulikov	609
7	Maria V. Lazareva	480
8	Yury N. Mangarov	510
9	Alexey V. Molsky	561
10	Andrey E. Murov	193
11	Pavel N. Snikkars	no remuneration
12	Vladimir V. Sofyin	480
13	Maria G. Tikhonova	103
14	Roman A. Filkin	1,137
15	Oksana V. Shatokhina	1,463
16	Alexander V. Shevchuk	725
17	Natalia I. Erpsher	510

* Remuneration to the BOD members who are also members of the BOD committees.

** The information is provided with the written consent of the Board of Directors. Individual remunerations for Gudzhoyan D.O., Kazachenkov A.V., Kaloeva M.V., Romeyko D.I., Saukh M.M., and Sedunov V.N. is not disclosed, since there is no consent of these members of the Board of Directors to publish such information.

Remuneration of the Board Members



COMPOSITION OF THE BOARD OF DIRECTORS

The Company had two Boards of Directors in 2014*

Until June 26, 2014	Since June 26, 2014
Sergey A. Arkhipov – Deputy General Director & Chief Engineer, JSC ROSSETI	Oksana V. Shatokhina – Deputy General Director for Economy, JSC ROSSETI
Alexander M. Branis – Director, Prosperity Capital Management (Russia) Ltd.	Maria V. Lazareva – Head of Expert and Analytical Department, JSC ROSSETI
Valery A. Goncharov – First Deputy Chairman of the Management Board, JSC FGC UES	Yury N. Mangarov – Advisor, JSC ROSSETI
Sergey A. Demin – General Director, Branch of JSC FGC UES Backbone Grids of Centre	Oleg Yu. Isaev – General Director, IDGC of Centre
Oleg Yu. Isaev – General Director, Chairman of the Management Board, JSC IDGC of Centre	Vladimir V. Sofyin – Head of Technological Development and Innovations Department, JSC ROSSETI
Madina V. Kaloyeva – Head of Corporate Governance Department, JSC FGC UES	Maxim M. Saukh – Head of Corporate Relations Office, Department for Corporate Governance and Shareholder and Investor Relations, JSC ROSSETI
Alexey V. Molsky – Deputy Chairman of the Management Board, JSC FGC UES	Pavel N. Snikkars – Director of Power Industry Development Department, Russian Ministry of Energy
Maxim M. Saukh – Head of Corporate Relations Office, JSC ROSSETI	Natalia I. Erpsher – Head of Organisational Development Office, HR Policy and Organisational Development Department, JSC ROSSETI
Roman A. Filkin – Co-Director, Power Engineering, Machine Building of the Representative Office of Prosperity Capital Management (Russia) Ltd.	Alexander M. Branis – Director, Prosperity Capital Management (Russia) Ltd.
Oksana V. Shatokhina – Deputy General Director for Economy, JSC ROSSETI	Roman A. Filkin – Co-Director, Power Engineering, Machine Building of the Representative Office of Prosperity Capital Management (Russia) Ltd.
Alexander V. Shevchuk – Executive Director, Association for Investor Rights Protection	Denis V. Kulikov – Advisor to Executive Director, Association for Investor Rights Protection

* The titles of the BOD members are given as at the date of election.

Brief biographies of the members of the current Board of Directors if IDGC of Centre
The current Board of Directors of IDGC of Centre was elected on June 26, 2014
at the Annual General Meeting of Shareholders*



OXSANA V. SHATOKHINA

Deputy Chair of the Board of Directors
Non-executive Director

Deputy General Director for Economics, JSC ROSSETI.

Born in 1975, Russian citizen.

Graduated from the Financial Academy under the Government of the Russian Federation in 1999 with a degree in finance and credit.

Over the past 5 years served as Deputy Director General in charge of Economics and Finance of JSC ROSSETI, Director for Economics of JSC IDGC Holding, Director for Economics, Head of Department of Economic Planning and Budgeting, JSC FGC UES, Member of the Board of Directors of JSC IDGC Siberia, JSC IDGC South.

Member of the Board of Directors of JSC MOESK, Chairperson of the Audit Committee of the Board of Directors of IDGC of Centre.

Awarded state and industry awards.

First elected to the Company's Board of Directors on August 23, 2012



YURY N. MANGAROV

Deputy Chairman of the Board of Directors
Non-executive Director

Adviser, JSC ROSSETI.

Born in 1956, Russian citizen.

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

Over the past 5 years served as Deputy Chief Executive Officer – Chief of Staff, Deputy Chairman of the Management Board, Member of the Management Board, Director for Control and Audit Operations of JSC FGC UES, Deputy Chief Executive Officer – Chief of Staff of JSC IDGC Holding.

Chairman of the Board of Directors of JSC Yantarenergo, Member of the Board of Directors of JSC MOESK and JSC IDGC North Caucasus, Chairman of the Nomination and Remuneration Committee of the Board of Directors of IDGC of Centre, Member of the Audit Committee of the Board of Directors of JSC IDGC Centre.

Awarded with state and industry awards.

First elected to the Company's Board of Directors on June 26, 2014



ALEXANDER M. BRANIS

Non-executive Director

Director, Prosperity Capital Management (Russia) Ltd.

Born in 1977, Russian citizen.

Graduated from the Academy of National Economy under the Government of the Russian Federation in 2001, BBM.

Over the past 5 years was a Member of the Board of Directors of JSC Bashkirenergo, served as Chief Accountant, Chairman of the Liquidation Commission of Prosperity Capital Management, Ltd.

Chief Investment Officer of Prosperity Capital Management (Russia) Ltd., Member of the Board of Directors of JSC TKG-2, JSC IDGC South, JSC IDGC of the Central and Volga Regions, JSC TKG-6.

First elected to the Company Board of Directors on December 9, 2004



OLEG YU. ISAEV

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

Born in 1969, Russian citizen.

Graduated from the Military Institute holding the Order of the Red Banner of the USSR Ministry of Defense in 1992 with a law degree, and from the Russian Presidential Academy of National Economics and Public Administration under the President of the Russian Federation in 2004.

Received a professional retraining programme in the area of power industry business management in 2011–2012. Has a degree as a Doctor of Law.

Over the past 5 years served as Chairman of the Board of Directors of JSC VO Tyazhpromexport, Director General, Interim Director General, First Deputy Director General of JSC VO Technopromexport, Deputy Director General of Security, Deputy Director General of Control and Security of JSC MOESK.

Member of the Board of the Moscow Chamber of Commerce and Industry.

Awarded with state and industry awards.

First elected to the Company Board of Directors on June 14, 2013

* As of December 31, 2014 in accordance with the current laws of the Russian Federation on personal information.



DENIS V. KULIKOV

Independent Director

Adviser to Chief Executive Officer, Association for Investor Rights.

Born in 1975, Russian citizen.

Graduated from the Moscow State Law Academy with the qualification of lawyer in 2005.

Over the past 5 years served as Chief Executive Officer of the Association for Investor Rights, as well as Member of the Board of Directors of energy and telecommunication companies.

Member of the Board of Directors of JSK IDGC of Volga, JSC NEFAZ, JSC OGG-2, Chairman of the Committee for Technological Connection to Electricity Networks, Member of the Audit Committee, Committee for Personnel and Remuneration of the Board of Directors of IDGC of Centre.

Recognised as the best non-executive director in 2007 by the Association for Investor Rights and the National Council for Corporate Governance.

First elected to the Company Board of Directors on August 23, 2012.

Holds shares of IDGC of Centre. His interest in the charter capital of the Company amounts to 0.0007106% (300,000 pcs)



MARIA V. LAZAREVA

Non-executive Director

Head of Expert and Analytical Department, JSC ROSSETI.

Born in 1973, Russian citizen.

Graduated from the Russian State Tax Academy of the Ministry of the Russian Federation for Taxes and Levies with a degree in Finance and Credit in 2006, and from the Moscow State Open Pedagogical University in 1997.

Previously, served as Head of the Department of Government and Stakeholder Engagement of Non-profit Partnership Council for Organising an Efficient System of Trading on the Wholesale and Retail Electricity and Capacity Market (NP Market Council).

Member of the Board of Directors of JSC Nedvzhimost of VNIPlenergoprom, Member of the Nomination and Remuneration Committee of the Board of Directors of IDGC of Centre.

First elected to the Company's Board of Directors on June 26, 2014



MAXIM M. SAUKH

Non-executive Director

Head of the Corporate Relations Department, JSC ROSSETI.

Born in 1979, Russian citizen.

Graduated from the St. Petersburg Institute of Humanities with a law degree in 2001.

Member of the Board of Directors of JSC Kabbalkenergo, JSC ENIN, JSC Pskovenergosbyt, JSC Ekaterinburg Power Grid Company, IT Energy Service LLC, JSC NIC Siberia and JSC IDGC of the North-West.

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

Has experience as Chief, and Vice-Chief of Corporate Governance and Shareholder Relations Department of JSC IDGC Holding. Over the past 5 years served as Member of the Board of Directors of several energy companies.

First elected to the Company Board of Directors on June 15, 2012



PAVEL N. SNIKARS

Non-executive Director

Director of the Electrical Utility Industry Development Department of the Russian Federation Ministry of Energy

Born in 1978, Russian citizen.

Graduated from the Siberian Academy of Public Administration with a degree in State and Municipal Management in 2000, and from the Siberian University of Consumer Cooperation with a law degree in 2005. Ph.D. in Economics.

Over the past 5 years served as Member of the Board, Deputy Chairman of the Management Board of NP Market Council, Deputy Director General for Development, Deputy General Director for Commercial Work of JSC MOESK, Commercial Director of JSC Sibirenergo, Director of the Wholesale Electricity Market, Commercial Director of JSC MC Sibirenergo.

Member of the Board of Directors of JSC Lenenergo, JSC Institute ENERGOSETPROECT, CJSC Technical Inspection UES.

CJSC Financial Settling Centre, Member of the Supervisory Board of Non-Commercial Partnership of Territorial Network Organisations.

First elected to the Company Board of Directors on June 26, 2014



VLADIMIR V. SOFYIN

Non-executive Director

Head of Technological Development and Innovations Department, JSC ROSSETI.

Born in 1969, Russian citizen.Graduated from the Ural Polytechnic Institute named after S.M. Kirov with a degree in electric systems and networks in 1992.

Over the past 5 years served as Director for Innovations of JSC FGC UES, First Deputy Minister of Energy and Utilities of the Government of the Murmansk Region, Chief Executive Officer for Energy of the State Corporation Olympstroy, and Director for Service Development of IDGC of Centre. Member of the Board of Directors of JSC REC IDGC, JSC SKB VTI, CJSC Energy Forecasting Agency, and JSC MOESK.

Member of the Board of Directors of JSC IDGC of the North-West, JSC Upravleniye VOLLS-VL, JSC ENIN, JSC NIC of the South, JSC NIC of Siberia, JSC NIC of EES, JSC VNIPlenergoprom.

Member of the Audit Committee of the Board of Directors of IDGC of Centre.

First elected to the Company Board of Directors on June 26, 2014



ROMAN A. FILKIN

Non-executive Director

Co-Director, Power Engineering, Machine Building of the Representative Office of Prosperity Capital Management (Russia) Ltd.

Born in 1983, Russian citizen.

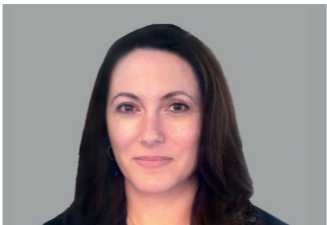
Graduated from the Financial Academy under the Government of the Russian Federation with a degree in Finance and Credit in 2005.

Has high experience in the Board of Directors of energy and pipeline companies.

Member of the Board of Directors of JSC IDGC of the North-West, JSC IDGC of the Central and Volga Regions, JSC IDGC of the South, JSC TGK-2, JSC TGK-6, JSC Dalenergomontazh, JSC Smolensk Power Maintenance Company, JSC Urengoitruboprovodstroj.

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

First elected to the Company Board of Directors on June 11, 2009



NATALIA I. ERPSHER

Non-executive Director

Head of the Organisational Development Office of Personnel Policy and Organisational Development Department, JSC ROSSETI.

Born in 1969, Russian citizen.

Graduated from the Moscow State University of Railway Engineering with a systems engineering degree in 1991; second higher education in Lomonosov Moscow State University with a degree in Psychology of Personnel Management in 2002; Moscow Power Engineering Institute, Presidential Management Training Programme in Production and Project Management in 2012.

Awarded with state and industry awards.

Over the past 5 years served as Head of the Organisation Development Department of JSC FGC UES, Head of the Organisation Development Department of JSC IDGC Holding, and was a member of the Board of Directors of JSC VNIPlenergoprom, JSC NIC of EES, JSC TyvaEnergosbyt, and OJSC MUEG.

Member of the Board of Directors of JSC TRK, JSC NIC of the South, JSC SZUEK. Member of the Personnel and Remuneration Committee of the Board of Directors of IDGC of Centre.

First elected to the Company's Board of Directors on June 26, 2014

Additional information on members of the Company's Board of Directors

Participation in the Charter Capital of the Company	None exercised, except Kulikov D.V.
Transactions with shares of the Company in 2014	None executed
Participation in the Charter Capital of the Company's subsidiaries	None exercised
Transactions between members of the Company's Board of Directors in 2014	None executed
Lawsuits against members of the Board of Directors	None filed
Training of members of the Board of Directors at the Company's expense	None carried out
Conflict of interests	None arisen
Work or participation in the management bodies of competitors	None performed

COMMITTEES UNDER THE BOARD OF DIRECTORS

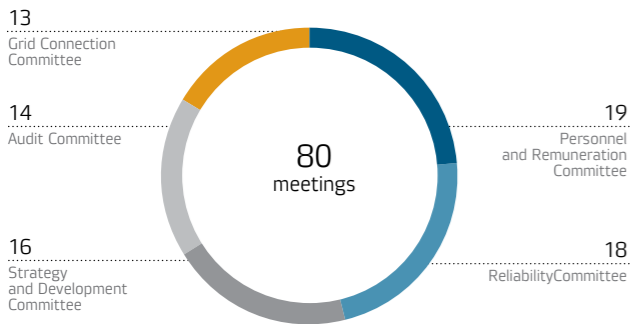
IDGC of Centre formed five committees of the Board of Directors:

- Reliability Committee;
- Grid Connection Committee;
- Strategy and Development Committee;
- Audit Committee;
- Personnel and Remuneration Committee.

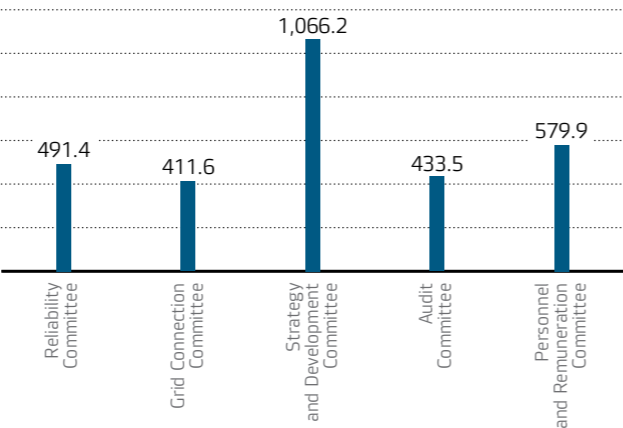
The Committees of the Board of Directors are advisory bodies and are aimed to pre-review and make recommendations on the most important issues within the competence of the Board of Directors.

The Committees consist of representatives of various groups of shareholders of the Company, which provides more efficient work of the Committees themselves, formation of objective and independent decisions.

Number of meetings of committees under the Board of Directors of IDGC of Centre in 2014



Remunetaion paid to the BOD members in 2014



Remuneration and compensation to members of the committees of the Board of Directors of IDGC of Centre is based on the relevant provisions, approved by the Board of Directors of the Company.

THE RELIABILITY COMMITTEE

The Reliability Committee of the Board of Directors of the Company was established in January 2006. Its main goal is to make recommendations to the Board of Directors on the following issues:

- examination of production programmes and target programmes to improve reliability and plans for retooling and modernisation, reconstruction, new construction and repair of power grid facilities of IDGC, analysis of its development and execution in terms of compliance with reliability requirements for operation and maintenance of electric grids;
- evaluation of the completeness and sufficiency of measures for failures and major technological violations which led to deenergisation of 35–220 kV substations; disconnection with unsuccessful reclosing and (or) trip circuit supervision of 35–220 kV power lines; 35–220 kV power transformers; 6–220 kV sections, busbars; deenergisation of 6, 10, 20 kV transformer substations in the amount of 100 pieces and above; large individual consumers with a connected load of 10 megawatts or

- more, as well as monitoring its implementation;
- control and assessment of performance of the Company's technical services in terms of ensuring operational reliability of electrical networks;
- informing the Board of Directors of the Company on the condition of fixed assets of the Company's energy facilities.

The committee operates in accordance with the Regulations on the Reliability Committee of the Board of Directors of IDGC of Centre (approved by The Board of Directors, Minutes dd. August 01, 2014 No 17/14).



For details on this document, please visit our corporate website.

Composition of the Committee

Olga V. Zuikova, Chairperson of the Committee	Head of the Production Safety Office of the Production Asset Management Department of JSC ROSSETI
Alexander V. Pilyugin Deputy Chairperson of the Committee	First Deputy General Director – Chief Engineer of IDGC of Centre
Andrey V. Gritsenko	General Director of CJSC Capital Asset Management
Sergey V. Ivanov	Chief Expert of Asset State Analysis Office of the Production Asset Management Department of JSC ROSSETI
Igor G. Polovnev	Financial Director of the Nonprofit Association for Protection of Investor Rights
Sergey Yu. Rumyantsev	Member of the Management Board, Deputy General Director for Economy and Finance of IDGC of Centre

Meetings of the Committee

Eighteen meetings of the Committee took place in 2014, including one on-site meeting. The Committee meetings considered the following:

- Programmes to reduce injury risks / to reduce third party injury risks on sites of IDGC of Centre / to implement environmental policy / to repair / to eliminate injury risks of high-injury electrical facilities, vehicles and machinery in service;
- performance reports;
- performance reports after the Company's autumn and winter period in 2013–2014 and on the Company's preparations for the autumn and winter period in 2014–2015.



For details on the Committee Members, please visit our corporate website.



For details on the Committee resolutions, please visit our corporate website.

THE GRID CONNECTION COMMITTEE

The Grid Connection Committee of the Board of Directors of the Company was established in February 2009. Its main goal is to make recommendations to the Board of Directors on the following issues:

- evaluation of the effectiveness of the Company’s grid connection services rendered to consumers;
- analysis of the Company’s current state in terms of grid connection of consumers.

The committee operates in accordance with the Regulations on the Grid Connection Committee of the Board of Directors of IDGC of Centre (approved by The Board of Directors, Minutes dd. February 13, 2009 No 01/09).



For details on this document, please visit our corporate website.

Composition of the Committee

Denis V. Kulikov, Chairperson of the Committee	Adviser to the Executive Director of the Non-profit Association for Protection of Investor Rights
Evgeniya V. Kabanova, Deputy Chairperson of the Committee	Deputy General Director for Development and Sale of Services of IDGC of Centre
Alina Kh. Akhmedova	Legal Director of IDGC of Centre
Irina B. Masaleva	Director of Perspective Development and the Grid Connection Department of JSC ROSSETI
Igor G. Polovnev	Financial Director of the Non-profit Association for Protection of Investor Rights
Olga A. Kharchenko	Director for Corporate Governance – Head of the Department of Corporate Governance and Shareholder Relations of IDGC of Centre

Meetings of the Committee

Thirteen meetings of the Committee took place in 2014. The Committee meetings considered the following issues:

- settlement of complaints and appeals regarding Company’s electrical grid power transmission services;
- performance results of the Company’s grid connection of consumers / grid connection of power generation facilities;
- completing results of measures of the Roadmap to increase energy infrastructure availability, approved by the Government of the Russian Federation;
- providing energy infrastructure availability and maintaining grid connection quality of the Company.



For details on the Committee Members, please visit our corporate website.



For details on the Committee resolutions, please visit our corporate website.

THE STRATEGY AND DEVELOPMENT COMMITTEE

The Strategy and Development Committee of the Board of Directors of the Company was established in April 2008. Its main goal is to make recommendations to the Board of Directors on the following issues:

- defining strategic goals for the Company;
- developing the Company’s business priorities;
- evaluating long-term effectiveness of the Company’s operations;
- improving the Company’s investment appeal;
- improving investment activity;
- making sound investment decisions and recommendations to the Board to adjust the current development strategy of the Company.

The committee operates in accordance with the Regulations on the Strategy and Development Committee of the Board of Directors of IDGC of Centre (approved by The Board of Directors, Minutes dd. April 30, 2008 No 09/08).



For details on this document, please visit our corporate website.

Currently, the Committee includes the following 13 persons

Yury N. Pankstyanov, Chairperson of the Committee	Director of the Tariff Policy Department of JSC ROSSETI
Sergey Yu. Lebedev Deputy Chairperson of the Committee	Director of the Strategic Development Department of JSC ROSSETI
Dmitry M. Andropov	Deputy Head of the Finance Office of the Corporate Finance Department of JSC ROSSETI
Sergey V. Belevantsev	Adviser to the Chair of the Management Board of JSCB Derzhava
Elena V. Bogach	Head of the Strategic Planning Office of JSC ROSSETI
Andrey V. Gritsenko	General Director of CJSC Capital Asset Management
Alexey N. Zharikov	Director for Corporate Policy and work with shareholders of JSC Elektrosentrionaladka
Sergey V. Podlutsky	Head of Summary Planning and the Reporting Office of JSC ROSSETI
Sergey Yu. Rumyantsev	Member of the Management Board, Deputy General Director for Economy and Finance of IDGC of Centre
Maxim M. Saukh	Head of the Corporate Relations Section of the Department for Corporate Governance and Shareholder and Investor Interactions of JSC ROSSETI
Yury A. Savvin	Deputy Head of Economics of the SDC Office of Economic Planning and Budgeting Department of JSC ROSSETI
Roman A. Filkin	Co-Director, Power Engineering, Machine Building of the Representative Office of Prosperity Capital Management (Russia) Ltd.
Alexander V. Shevchuk	Adviser to the Chief Executive Officer, Association for Investor Rights

Meetings of the Committee

Sixteen meetings of the Committee took place in 2014, including five on-site meetings. The Committee meetings considered the following:

- the Company business plan (including its investment programme);
- performance reports;
- internal documents of the Company;
- programmes for energy saving and increasing energy efficiency, long-term development of electricity metering systems in the retail market;
- issues regarding membership/termination of membership in other organisations;
- defining top-priority goals for the Company.



For details on the Committee Members, please visit our corporate website.



For details on the Committee resolutions, please visit our corporate website.

THE PERSONNEL AND REMUNERATION COMMITTEE

The Personnel and Remuneration Committee of the Board of Directors of the Company was established in April 2008. Its main goals are as follows:

- making recommendations on the amount of remunerations to the Company’s Board members;
- defining principles and criteria for remuneration and incentives for the members to the joint executive body and the person acting as the sole executive body of the Company, including a managing company or a manager;
- defining criteria for selecting candidates to the Board of Directors, and to the position of the sole executive body of the Company.

The committee operates in accordance with the Regulations on the Personnel and Remuneration Committee of the Board of Directors of IDGC of Centre (approved by The Board of Directors, Minutes dd. August 01, 2014 No 17/14).



For details on this document, please visit our corporate website.

Composition of the Committee

Yury N. Mangarov, Chairperson of the Committee	Adviser, JSC ROSSETI
Natalia I. Erpsher Deputy Chairperson of the Committee	Head of the Strategic Planning Office of JSC ROSSETI
Denis V. Kulikov	Adviser to the Executive Director of the Non-Profit Association for Protection of Investor Rights
Maria V. Lazareva	Head of the Expert and Analytical Department, JSC ROSSETI
Roman A. Filkin	Co-Director, Power Engineering, Machine Building of the Representative Office of Prosperity Capital Management (Russia) Ltd.,

Meetings of the Committee

Nineteen meetings of the Committee took place in 2014, including:

- preliminary assessment of candidates to the Board of Directors;
- recommendations to the Board of Directors of the Company on termination / election of members of the Management Board;
- consideration of performance results of the Deputy General Directors of the Company and preparation of relevant recommendations to the General Director of the Company;
- approval of the management personnel reserve and that of young specialists.

Before the approval of the Board of Directors, the following was done:

- consideration of the organisation structure of the executive office;
- approval of candidates for certain positions in the executive office of the Company;
- consideration of the list of positions categorised as top managers of the Company;
- approval of the Personnel and Social policy of the Company;
- consideration of the Regulation on Remuneration for the General Director.



For details on the Committee Members, please visit our corporate website.



For details on the Committee resolutions, please visit our corporate website.

THE AUDIT COMMITTEE

The Audit Committee of the Board of Directors of the Company was established in April 2008. Its main goal is to develop and make recommendations to the Board of Directors at implementing control over:

- the process and procedures for preparing financial (accounting) statements, including the review of financial (accounting) statements;
- the effectiveness of internal control and risk management systems;
- the selection of an independent external auditor and evaluation of his/her work;
- operations of the division conducting internal control/audit of the Company;

- the compliance by the Company with Russian law requirements, industrial standards and the Company’s internal documents.

The committee operates in accordance with the Regulations on the Audit Committee of the Board of Directors of IDGC of Centre (approved by The Board of Directors, Minutes dd. August 30, 2012 No 19/12).



For details on this document, please visit our corporate website.

Currently, the Committee includes the following five persons

Oxana V. Shatokhina, Chairperson of the Committee	Deputy General Director for Economics, JSC ROSSETI
Roman A. Filkin Deputy Chairperson of the Committee	Co-Director, Power Engineering, Machine Building of the Representative Office of Prosperity Capital Management (Russia) Ltd.
Denis V. Kulikov	Adviser to the Executive Director of the Non-Profit Association for Protection of Investor Rights
Yury N. Mangarov	Adviser, JSC ROSSETI
Vladimir V. Sofyin	Head of the Technological Development and Innovations Department, JSC ROSSETI

During 2014, the Board of Directors of the Company considered issues regarding organisation, performance and effectiveness of the risk management and internal control systems; the following decisions were taken:

- to improve the internal control and risk management systems, to develop internal audit facilities as an area of priority for the Company (Minutes as of August 22, 2014 No 18/14);
- to approve the key risk register (Minutes dd October 02, 2014 No 22/14);
- to take note of the key risk report (Minutes dd April 30, 2014 No 11/14).



For details on the Committee Members, please visit our corporate website.



For details on the Committee resolutions, please visit our corporate website.

Meetings of the Committee

Fourteen meetings of the Committee took place in 2014. The Committee considered the following key issues:

- quarterly and annual accounting (financial) statements of the Company;
- external auditor comments on key problems of the accounting (financial) reports;
- material aspects of the Company’s accounting policy;
- reports: on key risks of the Company (internal audit results, compliance with legislation on the Company’s insider information control, independent assessors’ market valuation);
- operational risk registers;
- policies of: risk management, internal audit;

- recommendations to the Board of Directors of the Company on the amount of remuneration to an external auditor for accounts (financial) auditing for 2014;
- review of technical specifications and terms and conditions of the tender for choosing an external auditor;
- assessing the effectiveness of the external audit process;
- issues regarding the effectiveness of internal control and risk management systems.

GENERAL DIRECTOR

The General Director oversees the Company’s current operations, except for the matters that are the responsibility of the General Shareholders’ Meeting, the Board of Directors, and the Management Board of the Company.

The General Director reports both to the General Shareholders’ Meeting (presenting the Annual Operations Report to the Meeting), and to the Company’s Board of Directors; and submits regular reports to the Company’s Board of Directors on the achievement of the Company’s KPI, implementation of programmes and policies confirmed by the Company, and other matters pertaining to the Company’s current operations.

Oleg Yu. Isaev is the current General Director of IDGC of Centre.

Graduated from the Military Institute holding the Order of the Red Banner at the Ministry of Defense in 1992. Then he served in the military prosecution authorities, the Federal Special Construction Agency and in the Ministry of Internal Affairs. During the period from 2002 to 2004 he completed his training in the Russian Public Administration Academy under the President of the Russian Federation (State and

municipal management). Doctor of Law. He is the author of over 35 publications in the law sphere.

Oleg Yu. Isaev has held executive positions at energy companies since 2009.

On April 2, 2013 the Board of Directors of IDGC of Centre approved him as the General Director of the Company.

Member of the Board of the Moscow Chamber of Commerce and Industry.

Oleg Isaev has the following industry and state awards:

Medal "300 years of the Russian fleet" (1996); Medal "In commemoration of the 850th anniversary of Moscow" (1997); Medal "For Distinguished Service" of the III degree of the All-Russian Scientific Research Institute of the Ministry of Internal Affairs of Russia (2006), acknowledgment of the Energy Ministry of the Russian Federation (2014), award pin "For reliable operation of Olympic power facilities" (2014), badge of honour "For contribution to the electric grid complex development of the II degree" (2014).

REMUNERATION OF THE GENERAL DIRECTOR

The amount of the remuneration paid to the General Director is defined by the employment contract and the Regulation on Remuneration for the General Director of IDGC of Centre approved by the Company’s Board of Directors in 2011, as amended dd December 18, 2014.

The General Director receives a salary, bonuses for achieving KPI, as well as remuneration for participation in the Management Board and the Board of Directors of the Company.

Bonuses are paid to the General Director on the basis of the report approved by the Board of Directors on achieving the specified KPI in the following cases:

- based on the achievement of the Company’s financial, technological and investment KPI for the quarter and for the year;
- based on the achievement of strategic priorities specified by the Board of Directors of the Company for the year.

By the decision of the Board of Directors, one-time bonuses may be paid to the General Director for performance of tasks of special significance.

In 2014, the General Director received bonuses for achieving the 2013 KPI, as well as an additional bonus for performance of 2013 strategic priorities. These payments are included in the remuneration paid to the members of the Company’s Management Board.

The remuneration paid by the Company to the General Director, as well as the remuneration of the General Director for his work in the Board of Directors of the Company, are disclosed in the relevant sections of the Annual report.

MANAGEMENT BOARD

The day-to-day administration of the Company is exercised by the Management Board, which is a collective executive body, as well as by the General Director of the Company, being a sole executive body. The executive bodies report to the Board of Directors and to the General Meeting of Shareholders of IDGC of Centre.

The Management Board of IDGC of Centre has been operating since April 30, 2008. The responsibilities of the Management Board are defined by the Federal Act

MEETINGS OF THE MANAGEMENT BOARD

The Company’s Management Board held 32 meetings and considered over 130 matters in 2014. The largest number of matters considered this year involved recommendations to the Board of Directors, including that on the Company’s

On Joint Stock Companies, Art. 22 of the Charter of the Company and the Regulations on the Management Board of IDGC of Centre (approved by the Annual General Meeting of Shareholders on June 17, 2011, Minutes dd June 21, 2011 No 01/11).



For details on this document, please visit our corporate website.

REMUNERATION OF THE MEMBERS OF THE MANAGEMENT BOARD

All members of the Management Board of IDGC of Centre are employees of the Company holding key positions and have additional responsibilities besides their employment contracts that pertain to the members of the collective executive body of the Company, which is the Management Board.

The Members of the Management Board receive a monthly remuneration of RUB 15,800 under additional agreements to their employment contracts for serving as members to the Management Board.

In accordance with the Regulation on the Incentives and Social Benefits for senior managers of IDGC of Centre, approved by the Company’s Board of Directors, members of the Management Board are considered senior managers.

Senior managers receive bonuses based on the achievement of key performance indicators and the level of such achievement for the reporting period (quarter or year). These key performance indicators are based on the KPI approved by the Company’s Board of Directors for the General Director.

Remuneration paid to the Management Board Members of the Company in 2014

Type of Remuneration	Amount of Remuneration, RUB thou.
Remuneration for participation in the activities of the management body	936
Salary	65,277
Bonuses	63,921
Total	130,134

Other types of remuneration, including reimbursement of expenses, were not paid in 2014.

In 2014, the members to the Company’s Management Board received compensation for achieving the 2013 KPI alongside with additional bonuses based on results of the Company’s KPI performance.

COMPOSITION OF THE MANAGEMENT BOARD

In 2014, the Management Board of IDGC of Centre had the following significant changes in its personal composition:

- On February 17, 2014, the authorities of the member to the Management Board Sergey A. Schumacher were terminated; Alexander V. Pilyugin – First Deputy General Director, Chief Engineer – was elected to the Management Board.
- On February 28, 2014, the authorities of the member to the Management Board of the Company Olga V. Tkacheva were terminated; Yuri V. Minchenko – Deputy General

Director for Corporate Governance – was elected to the Management Board.

- On October 15, 2014 the authorities of the member to the Management Board of the Company Yuri V. Minchenko were terminated; Lyudmila A. Sklyarova – Chief Accountant, Head of Financial and Tax Accounting and Reporting Department – was elected to the Management Board.

As of December 31, 2014, the Management Board of IDGC of Centre is as follows:*

OLEG YU. ISAEV

On the Board since December 11, 2012

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

Born in 1969, Russian citizen.

Graduated from the Russian Public Administration Academy under the President of the Russian Federation in 2004 with a degree in State and municipal management; and from the Military Institute holding the Order of the Red Banner in 1992 with a law degree.

Doctor of Law.

Deputy General Director of JSC MOESK since 2009.

Since 2011 – General Director of JSC V/O Tyazhpromexport.

Since 2012 – Chairperson of the Board, General Director of IDGC of Centre. Since 2014 – Chairperson of the Board of Directors of IDGC of Centre, as well.

Since 2014 – Member of the Board of JSC Moscow Chamber of Commerce and Industry.

Awarded with state and industry awards.

IVAN P. KLEYMENOV

On the Board since February 15, 2010

Deputy General Director – Branch Director, IDGC of Centre, Voronezhenergo

Born in 1960, Russian citizen.

Graduated from the Volgograd Agricultural Institute in 1987 and 1989 with degrees in economics and electrical engineering.

Since 2008 – Deputy General Director, Branch Director, IDGC of Centre, Voronezhenergo.

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

Awarded with state and industry awards.

ARTEM E. KURANOV

On the Board since November 28, 2013

First Deputy General Director of IDGC of Centre

Born in 1976, Russian citizen.

Graduated from the Moscow State Industrial University in 1997 with a law degree, and from the Academy of National Economy under the Government of the Russian Federation in 1998 with a degree in International business. Ph.D. in Economics.

From 2008 to 2013 – General Director and Member of the Board of Directors of Tambov Sugar Company LLC.

From 2011 to 2012 – Advisor to the General Director of JSC RAO Energy System of East.

Since 2013 – First Deputy General Director of IDGC of Centre.

IGOR V. MAXIMOV

On the Board since May 15, 2013

Deputy General Director for Capital Construction of IDGC of Centre

Born in 1959, Russian citizen.

Completed his higher education at the higher technical educational institution (factory) under the Likhachev Moscow Automobile Factory in 1985 with a degree in metallurgical engineering; completed training at the Lomonosov Moscow State Academy of Fine Chemical Technology in 2007 with a degree in economy and business management; and at the Gubkin Russian State University of Oil and Gas in 2009 with a degree in engineering.

Ph.D. in Economics.

From 2008 to 2013 – First Deputy General Director of JSC MOESK.

Since 2013 – Deputy General Director for Capital Construction and Investment of IDGC of Centre.

Since November, 2014 – Deputy General Director for Capital Construction of IDGC of Centre.

Awarded with state and industry awards.

ALEXANDER V. PILYUGIN

On the Board since February 17, 2014

First Deputy General Director – Chief Engineer of IDGC of Centre

Born in 1968, Russian citizen.

Graduated from Kursk Polytechnic Institute in 1992 with a degree in Power Engineering; and from Kursk State Technical University with a degree in Management.

From 2008 to 2014 – Deputy General Director, Branch Director, IDGC of Centre, Kurskenergo

Since November, 2014 – Deputy General Director for Capital Construction of IDGC of Centre.

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

Awarded with state and industry awards.

SERGEY YU. RUMYANTSEV

On the Board since June 10, 2013

Deputy General Director for Economy and Finance of IDGC of Centre

Born in 1956, Russian citizen.

Graduated from the Moscow Institute of Management in 1978 with a degree in Power Industry Management.

Since 2008, he held key positions in JSC INTER RAO UES, with responsibility for investment and economy matters.

Since 2013 – Deputy General Director for Economy and Finance of IDGC of Centre.

Member of the Board of Directors of JSC Yargorelectroset and JSC Energy Service Company.

Awarded with state and industry awards.

LYUDMILA A. SKLYAROVA

On the Board since October 15, 2014

Chief Accountant - Head of the Accounting and Tax Reporting Department of IDGC of Centre

Born in 1958, Russian citizen.

Graduated from the Correspondence Institute of Soviet Trade in 1982 with a degree as a commodity expert of higher qualification, and from the Karaganda Cooperative Institute in 1989 with the qualification of Economist-accountant.

From 2006 to 2012 – Chief Accountant of JSC MOESK. Since 2013 – Chief Accountant - Head of Accounting and Tax Reporting Department of IDGC of Centre.

Awarded with state and industry awards.



For details on the members to the Management Board, please visit our corporate website.

* Information is based on the personal data submitted by the members of the Company’s Management Board.

INFORMATION DISCLOSURE POLICY

IDGC of Centre discloses its information in compliance with the requirements of the Russian laws as a joint-stock company, as an issuer whose securities are accepted for trading on the Moscow Stock Exchange, and as a retail energy market participant.

The Company strives to provide the most complete information disclosure, not limiting itself to the format and schedule for mandatory information disclosure in its effort to reach the most effective interaction with the related parties and enable them to make weighted decisions.

The main document defining the principles for information disclosure is the Regulation on Information Policy of IDGC of Centre, approved by the Company’s Board of Directors, Minutes dd September 02, 2013 No 21/13.



For details on this Regulation, please visit our corporate website.

Positive aspects of information disclosure, noted by the Russian Institute of Directors	
1.	100% compliance with the requirements of the Russian Federation legislation in terms of mandatory information disclosure
2.	Having a clear and concise information policy
3.	Providing free and unimpeded access to financial and accounting information under RAS and IFRS
4.	Disclosure of the amount of individual remuneration of the members to the Board of Directors
5.	Release of detailed information on all major transactions and related party transactions

The Annual report of IDGC of Centre for 2014 won the category of Best level of disclosure about corporate governance practices at the XVI Annual Report Competition held by the Expert Rating Agency Expert RA.

Within the framework of the XVII Annual Report Competition held by the Moscow Stock Exchange and the magazine Securities Market, the Company’s Annual report for 2013 was entered the short-list in the categories

Best Annual Report of a Company with Capitalisation up to RUB 10bn and Best Disclosure of the Strategy and Investment Potential of the Company in the Annual Report.

IDGC of Centre was in the leading group, getting 39th place in the annual rating for corporate transparency of Russia’s largest companies, which was organised by the Russian Regional Integrated Reporting Network.

SUPERVISORY BODIES

In 2014, the Board of Directors of IDGC of Centre identified improvement of the internal control and risk management system, as well as development of the internal audit, as one of the Company’s priorities (Minutes of the Board of Directors meeting of August 20, 2014 No. 18/14). Within the framework of this activity, IDGC of Centre is guided by the following internal documents approved by the Board of Directors of the Company (Minutes of the Board of Directors meeting dated August 22, 2014 No.18/14):

- Internal Control Policy (new edition)
- Risk Management Policy (new edition)
- Internal Audit Policy



These documents are available on the Company’s website.

INTERNAL CONTROL

Internal control is exercised by the Board of Directors, the Audit Commission, executive bodies and all employees of the Company and aims to provide reasonable guarantee of achieving objectives in the following areas:

- with regard to effectiveness, economical and performance efficiency of the Company’s activities:
 - ensuring investors’ confidence in the Company, its subsidiaries and affiliates and their management bodies;
 - ensuring the achievement of strategic development goals, performance of financial and business plans of the Company and its subsidiaries in the most efficient and economical manner (by building effective business processes, including through corporate governance);
 - ensuring effective prevention, timely detection and response to threats in the activities of the Company, its subsidiaries and affiliates;
 - ensuring effective prevention, timely detection and elimination of violations in the financial and business operations of the Company, its subsidiaries and affiliates;
 - ensuring effective use of resources of the Company, its

subsidiaries and affiliates.

- with regard to fulfillment of requirements applicable to the Company’s activities:
 - ensuring reliable, high-quality and affordable power supply to consumers;
 - ensuring safety of the environment and personnel;
 - ensuring compliance with the current legislation, both Russian and foreign, in the activities of the Company and its subsidiaries and affiliates which are subject to regulation; compliance with internal policies, regulations and procedures of the Company, its subsidiaries and affiliates.
- with regard to prevention of wrongful actions:
 - with respect to the Company’s assets: ensuring safety of the Company’s assets;
 - ensuring transparency of the Company’s activities.
- with regard to reliability, completeness and timeliness of preparation of all kinds of reports: ensuring completeness, reliability, accuracy and timeliness of preparation and distribution of financial, accounting and managerial information and all kinds of reports of the Company and its subsidiaries and affiliates.

RISK MANAGEMENT

Company objectives in the area of risk management:

- reducing the probability and/or consequences of events that have a negative impact on the Company’s achievements;
- setting priorities in the Company’s activities on the basis of awareness about the existing risks, including financial ones;
- safety of assets and efficient use of available resources;
- achievement of planned performance indicators;
- continuous efficiency improvement in all areas through the analysis and evaluation of existing risks;

- ensuring reliable technical functioning of the integrated power grid of the Russian Federation;
- achieving optimal efficiency of the risk management system of the Company, its subsidiaries and affiliates;
- timely and full informational and analytical support to the process of managerial decision-making and planning with regard to activities of the Company, its subsidiaries and affiliates.

INTERNAL AUDIT

Internal audit represents activities aimed to provide reliable and independent guarantees and consulting services in order to improve the Company’s operations.

The purpose of the internal audit is to contribute to the achievement of the Company’s objectives in the most

efficient and economically sound way, by using a systematic and step-by-step approach to the evaluation and improvement of risk management, internal control and corporate governance effectiveness.


OBJECTIVES OF INTERNAL AUDIT

- providing the Board of Directors / Audit Committee of the Board of Directors and executive bodies of the Company with independent and reliable guarantees that the Company and its subsidiaries and affiliates have adequate systems of internal control, risk management and corporate governance;
- assistance to the Company’s management in building effective systems of internal control, risk management and corporate governance by providing consultations: recommendations, opinions and other practical assistance of non-regulatory nature.


AUDITING COMMISSION

The Company’s financial and business operations are monitored by the Auditing Commission, which is elected by the General Shareholders’ Meeting for the period until the following Annual General Shareholders’ Meeting and acts under the Federal Law on Joint Stock Companies, Art. 24 of the Company’s Charter and the Regulations on the Auditing Commission (Minutes of the Annual General Shareholders’ Meeting No. 01/14 dated June 30, 2014).

- Responsibilities of the Auditing Commission
- Control the Company’s financial and business operations.
 - Ensure compliance of the Company’s financial and business operations with Russian legislation and the Company’s Charter.
 - Perform an independent assessment of data on the Company’s financial situation.



This document is available on the Company’s website.



The resolutions of the Auditing Commission are available on the Company’s website.

MEETINGS OF THE AUDITING COMMISSION


The Auditing Commission held five meetings in 2014, where the following issues were put under consideration: approval of the Auditing Commission Activity Plan,

election of the Chairman and the Secretary of the Auditing Commission, as well as issues directly related to inspections.

REMUNERATION TO THE AUDITING COMMISSION MEMBERS

Remuneration to IDGC of Centre Auditing Commission members is paid under the Regulations on Payment of Remuneration and Compensation to the Auditing Commission members. In accordance with the Regulations, the Auditing Commission members involved in business inspections (auditing) are paid the remuneration equal to 25 minimum tariff rates of a 1st grade worker. The Auditing Commission Chairman is paid the remuneration multiplied by 1.5.

In 2014, IDGC of Centre paid to the Auditing Commission members the remuneration of RUB 1.4mln for holding business inspections for 9 months of 2013 and 2013.



For more information, see the Regulations on the Company’s website.

MEMBERS OF THE AUDITING COMMISSION


The current Auditing Commission was elected at the Annual General Shareholders’ Meeting on June 26, 2014. The Auditing Commission consists of five members, who are neither members of the management bodies nor Company

employees, which ensures objective and independent judgements.

Members of the Auditing Commission as at December 31, 2014:

Marina A. Lelekova (Chairperson of the Auditing Commission)	Director of the Internal Audit and Control Department, JSC ROSSETI. Born in 1961, Russian citizen. In 1982, she graduated from the Far Eastern Institute of Soviet Trade with a degree in Economics.
Elena Yu. Guseva	Lead Expert, Investment Audit Division, Inspections and Internal Audit Office, Internal Audit and Control Department, JSC ROSSETI. Born in 1970, Russian citizen. In 1992, she graduated from the Academy of Labour and Social Relations with a degree in Economics.
Yelena P. Kuznetsova	Born in 1972, Russian citizen. In 1993, she graduated from the Moscow University of Consumer Cooperation with a degree in Economics. In 2001, she graduated from the Finance Academy under the Government of the Russian Federation with a degree of Financial Manager.
Sergey V. Malyshev	Lead Expert, Investment Audit Division, Inspections and Internal Audit Office, Internal Audit and Control Department, JSC ROSSETI. Born in 1965, Russian citizen. In 1986, he graduated from Yaroslavl Higher Military Financial School with a degree of Financial Economist.
Sergey I. Ochikov	Lead Expert, General Audit and Inspections Division, Inspections and Internal Audit Office, Internal Audit and Control Department, JSC ROSSETI. Born in 1983, Russian citizen. In 2004, he graduated from the Krasnoyarsk State Technical University with a degree in Power Stations and Substations; in 2007, he graduated from the Siberian Federal University with a degree in Economics and Company Management in the Energy Sector.

Members of IDGC of Centre Auditing Commission do not hold the shares of the Company or its subsidiaries and did not execute any transactions relating to purchase or disposal of the Company’s shares in 2014. The Auditing Commission members and the Company did not enter into any other transactions either.




For more information about the Auditing Commission members, see the Company’s website.

AUDITOR

IDGC of Centre accounting statements for 2014 under RAS and the consolidated financial statements for 2014 under IFRS were audited by an independent auditor, Ernst and Young LLC.

The candidacy of the auditor was determined by the results of a competitive selection and was proposed by the Audit Committee. Subsequently, the candidacy received preliminary approval by the Board of Directors.The cost of the auditor’s services was approved by the Board of Directors of the Company in the amount of RUB 4.7mln including VAT.

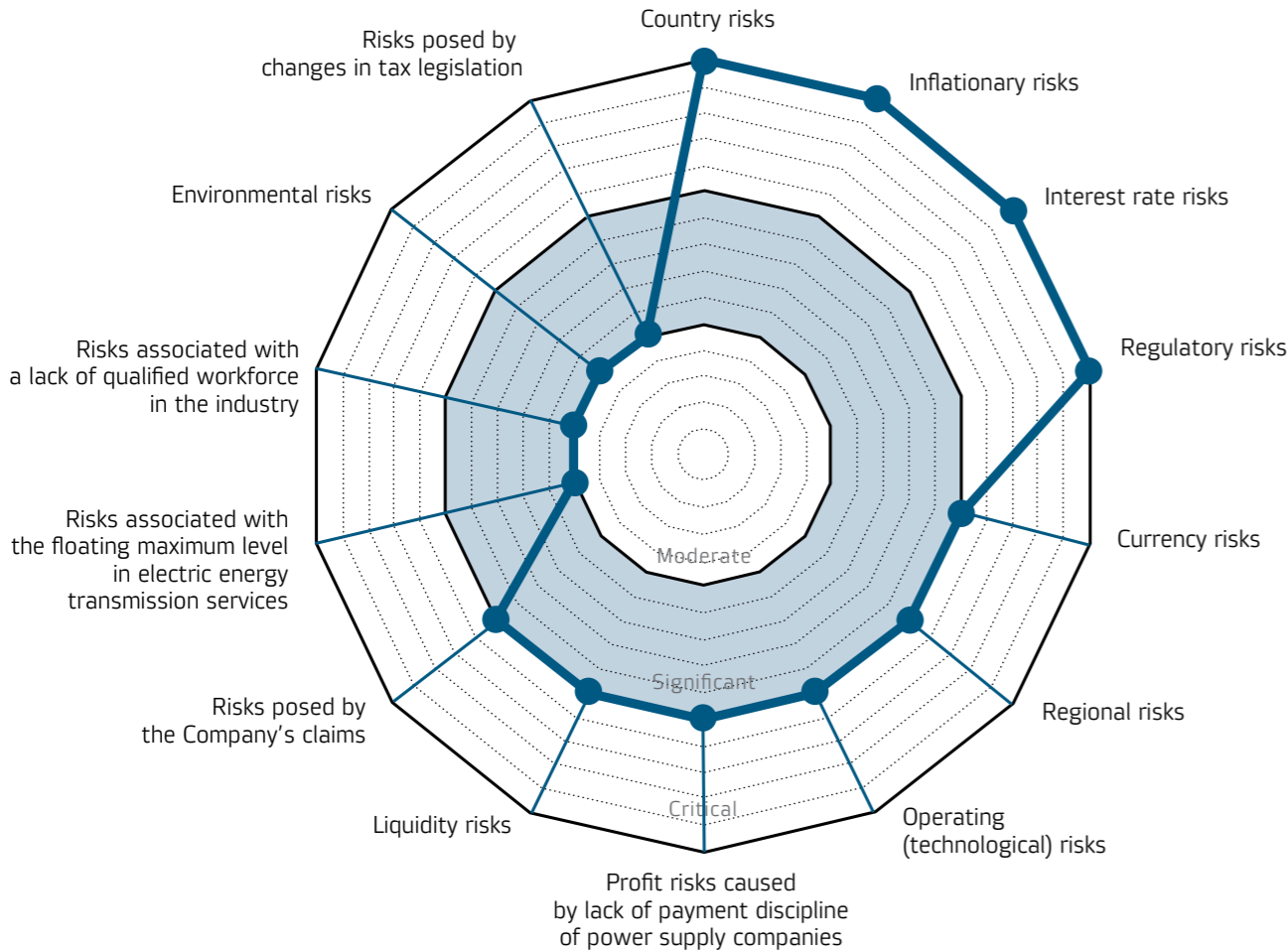
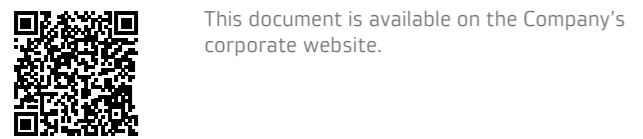


For details on the auditor of IDGC of Centre, please visit our corporate website.

RISK MANAGEMENT

The Company performs the management of risks arising in the course of financial and business operations in accordance with the Risk Management Policy, the new version of which was approved by the Board of Directors on August 20, 2014, Minutes of August 20, 2014 No. 18/14.

Below, please find a map of risks of IDGC of Centre indicating the level of risk significance, which is the combination of risk probability and consequences to the Company in monetary and other terms, as well as the dynamics of risk significance compared to 2013 and for 2014.



LEVEL OF RISK SIGNIFICANCE

Level of risk significance

- Critical
- Significant
- Moderate





Dynamics of risk significance




- ↑ Growth of risk significance
- ↓ Reduction of risk significance

Measures to minimise the consequences of risk			Evaluation of risks and dynamics
No.	Name of the risk	Risk description	
Industry risks			
1	Operating (technological) risks	Risks posed by the insufficient funding for repairs and maintenance and a shortage of investment funds, by the wear and tear of the grid, wrongful usage of the grid equipment, abnormal operating conditions and accidents, which may result in breakdowns (failures) of the grid equipment and irreparable damage to the installations and buildings	All major facilities of the Company are insured to reduce the negative effect of risk events and minimise operating risks. Furthermore, a whole range of measures is implemented to guarantee the trouble-free appropriate work of the equipment and facilities: 1. An automated asset management system to optimise the work, maintenance and repairs of grid assets and to regulate investment has been introduced. 2. Innovative equipment is being introduced as part of modernisation of grid assets to reduce the wear and tear of power facilities. 3. A long-term reliability programme has been developed and implemented to ensure trouble-free work and system reliability. 4. Tendering is held for service and procurement organisations in order to achieve higher quality of services and materials, increased responsibility of contractors and reduced costs per unit. Industrial risk management of the company is conducted in accordance with federal laws on industrial safety, as well as under control of compliance with industrial safety requirements.
2	Regulatory risks stemming from state tariff regulation	Electricity transmission through distribution networks and connection to the power grid are regulated by the state. Thus, the formal approval of tariffs for the Company directly affects the amount of revenue	To minimise risks, the following measures are taken: 1. Work is being carried out with Russia's tariff regulatory bodies to provide compensation for the shortfall in income of the grid operators caused by the implementation of Federal Law No. 308-FZ, through the additional tariff growth for other consumers beyond the forecast by the Ministry of Economic Development. 2. Regular work on economical justification of the expenses included in the tariffs is being carried out. This comprises the inclusion of the shortfall in income of the previous periods as well. 3. Systemic efforts to reduce costs and optimise the investment programme are made.

			Evaluation of risks and dynamics
No.	Name of the risk	Risk description	Measures to minimise the consequences of risk
			4. Measures are taken in cooperation with the Federal Service on Tariffs and tariff regulating regional bodies to amend the current legislation of the Russian Federation in the area of price setting for natural monopolies aimed at taking into account the interests of grid operators while setting tariffs for the retail market
3	Environmental risks	Environmental risks are possible harmful emissions from fixed facilities and transport systems. Environmental risks can also consist in possible leakage of transformer oil at substations lacking oil receivers into rivers and lakes with surface water run-off. This can lead to oil contamination of fisheries	<p>The Environmental Policy of IDGC of Centre approved by the Board of Directors is a tool to reduce ecological risks and to improve environmental security by ensuring reliable and environmentally friendly transmission and distribution of energy and an integrated approach to the use of natural energy resources. In the course of realisation of the environmental policy, special attention is rendered to the importance of recycling various hazard classes of waste. Such an approach significantly reduces the risk of the adverse impact of toxic substances on the soil and, consequently, on human health.</p> <p>A promising long-term programme of IDGC of Centre contributes to environmental risk reduction through replacing 6-10 kV oil circuit breakers with vacuum circuit ones and installing reclosers, which reduces the technological cycles of dielectric oils and exclude their contact with the environment and the necessity to bear the costs of recycling of the used oils.</p> <p>As part of the activities envisaged by the long-range programme of technical renovation and reconstruction, the Company is carrying out the replacement of electrical components and assemblies with advanced equipment designed to ensure high environmental safety</p>
4	Profit risks caused by lack of payment discipline of power supply companies	The main risk involves the probability of increased receivables resulting from the breaches of the payment discipline of ultimate customers and the need for additional credit resources. There is a risk of cash shortage at the Company's accounts caused by the time gap during the payment from the retailer and the need to finance current operations	To reduce the risk and minimise its consequences, managers are conducting a prudent credit policy and the policy of managing receivables to optimise their size and promote debt collection. The Company also does claims-related work to collect overdue receivables and implements a policy presupposing direct contracts with consumers of electricity

			Evaluation of risks and dynamics
No.	Name of the risk	Risk description	Measures to minimise the consequences of risk
5	Risks associated with the floating maximum level in electric energy transmission services	<p>The risk is expressed by the following circumstances:</p> <ul style="list-style-type: none">some regions and municipal entities of the Russian Federation have no relevant economic development plans, which are expected to indicate the dynamics of energy consumption growth for a certain period;power consumption of the Russian economy in general may be reduced by the adoption of Federal Law No. 261-FZ On Energy Saving and Increasing Energy Efficiency and Amendments to Certain Legislative Acts of the Russian Federation dd. November 23, 2009 and by the introduction of social norms of consumption;power consumption of the Russian economy may be reduced due to a future economic recession/crisis;power consumption may be reduced due to a downturn in the markets of major industrial consumers;a drop in consumer capacity caused by changing the day and night load schedule curve round-the-clock (load shift to the night hours without a decrease in consumption)	<p>To minimise the risk, the following steps are being taken:</p> <ul style="list-style-type: none">cooperation with the Russian regional state governments and local authorities to develop mid- and long-term plans for the economic development of the regions;diversifying the services portfolio of the Company
6	Risks associated with a lack of qualified workforce in the industry	The industry is currently witnessing a reduced inflow of qualified personnel. If this current trend carries on, the Company may face a shortage of qualified personnel in its service areas	<p>In order to minimise this risk, the Company is undertaking the following steps:</p> <ul style="list-style-type: none">the Company supports regional secondary and higher institutions that train personnel for the industry, creates and renders financial assistance to the programmes aimed to train power engineering specialists with subsequent employment of the qualified specialists;The Company implements programmes to boost motivation and reduce staff turnover, and seeks ways to offer incentives other than financial ones
Country and regional risks			
7	Country risks	<p>Financial problems or stronger fear of investment risks in emerging economies have reduced the foreign investment influx to Russia, caused an outflow of foreign capital, and had an adverse impact on the Russian economy. Moreover, the Russian economy is particularly vulnerable to changing global prices for natural gas and oil. Also the transit problem of Russian gas to the European countries through the territory of Ukraine still remains. The dynamics of growth of consumer prices in the country is still a problem. The sharp increase by the RF CB of the key rate has substantially increased the cost of borrowings. All these events can reduce the access of IDGC of Centre to capital and have a detrimental effect on customers' purchasing power. Also today, the Russian Government is implementing the policy of containing the growth of tariff for products and services of natural monopolies, which can lead to the shortfall in funds for the Company's investment programme. Moreover, in the mid-term some amendments will be made to the legislature in part that relates to the measures to tackle the problem of cross-subsidisation in the power industry.</p> <p>Currently the sovereign rating of the Russian Federation has decreased due to the economic situation and is at the "BBB" level (in the sovereign currency, as rated by Standard & Poor's), "BBB-" (by Fitch) with "negative" outlook, and "Baa3" (by Moody's) with "negative" outlook</p>	<p>To minimise the risks mentioned above, IDGC of Centre has been working hard to reduce internal costs, streamline the investment programme and carry out a prudent borrowing policy.</p> <p>Political risks are beyond the Company's control because of their scale, but the Company seeks to minimise them by active cooperation with superior and regulatory organisations to jointly affect the development of the industry</p>

No.	Name of the risk	Risk description	Measures to minimise the consequences of risk	Evaluation of risks and dynamics
8	Regional risks	<p>Regional risks for IDGC of Centre generally include:</p> <ul style="list-style-type: none"> ▪ failure of the state agencies in charge of tariff-setting to accept expenditure proposed by the Company as economically justified and integrate it into the tariff; ▪ reduced energy consumption by large regional plants and manufacturing facilities; ▪ a possible change of regional authorities along with the change of the existing model of cooperation. The most obvious consequences for the Company in these cases are: low regional tariffs lacking economic justification, and absence of the regional authorities' support for the integration of IDGC of Centre into the municipal power grid. <p>The geography of the region in which the Company operates entails the risk of natural disasters in autumn and winter seasons (AWS)</p>	<p>To minimise the influence of regional risks on the realisation of the investment programme, the Company cooperates with the state authorities and other stakeholders in order to monitor and control the choice of stakeholders in respect of their actions in connection with the Company's investment projects. The company conducts activities to optimise financing of its investment programme by reducing internal costs.</p> <p>The Company is also striving to cooperate with regional and local authorities in working out long-term development programmes in the regions where the branches operate, interacts with superior institutions in respect of its regional activities. The Company makes a set of steps to prepare the grid for the AWS, with certificates of preparedness to AWS issued for each branch.</p> <p>Efforts are constantly made to speed up the relief operations after the disaster in autumn and winter.</p> <p>Managers are to submit to the Board a report on the preparations for the autumn and winter, as well as a performance report after the AWS</p>	
Financial risks				
9	Inflationary risks	Inflation could hurt the Company's financial and economic performance through a drop in the real value of receivables, rising interest rates payable on loans, and higher construction costs under the investment programme	The current inflation will not have a significant impact on the Company's financial state. According to plans of the Central Bank of Russia to curb inflation, and to its forecast scenario indicators for the closest future, we may believe that inflation will not have a considerable effect on the Company's financial performance	
10	Currency risks	Any unwelcome fluctuations in the foreign currencies – Russian rouble rate could affect the indicators of the Company's operating efficiency and investment effectiveness	The Company is not highly susceptible to currency risks, because operations with its counteragents are carried out in Russian roubles only. Nonetheless, since the Company imports some goods and equipment, a considerable leap in the exchange rate could make imports more expensive. The Company is therefore seeking to replace imports with locally manufactured goods and to sign long-term contracts to preclude any rise in the cost of the acquired goods	
11	Interest rate risks	Changes in the Central Bank of Russia refinancing rate reflect the macroeconomic situation and affect the cost of using credit facilities. Growing borrowing costs could trigger unexpected increases in the cost of servicing the Company's debt	In order to minimise the interest rate risk, the Company conducts a prudent borrowing policy aimed at building a balanced loan portfolio and minimising the cost of servicing its debt	

No.	Name of the risk	Risk description	Measures to minimise the consequences of risk	Evaluation of risks and dynamics
12	Liquidity risks	<p>The Company's activity is exposed to risks leading to the dry-up of its liquidity and undermining financial stability. Cross-subsidisation among consumer groups and poor payment discipline in the retail energy market expose the Company to the most serious risks.</p> <p>The state's tariff policy to curb the tariff rise for the public brings about increased cross-subsidisation. The cross-subsidisation mostly affects large consumers that have signed last mile contracts.</p> <p>The shift of big industrial consumers to conclude direct agreements with FGC UES generates shortfalls in the Company's income.</p> <p>Poor payment discipline of the contractors results in high accounts receivable, including overdue payments. The main factors affecting the payment discipline were the discrepancy in contracted capacity with retail companies, as well as the improper use of funds for electricity supply by the companies deprived of the SLR status.</p> <p>The Company can be unable to meet financial and other conditions stipulated in loan agreements should these risk factors come into play</p>	In order to reduce the probable risk of these developments, the Company regularly reviews its capital structure and determines the best terms of borrowing, working at the same time to improve the structure of its floating capita	
Compliance risks				
13	Risks posed by changes in tax legislation	<p>Tax regulations often have vague wording or include terms that are not clearly and legally defined. Moreover, the official clarifications exercised by Ministry of Finance and the Federal Tax Service of the Russian Federation occasionally fail to fully cover tax legislation.</p> <p>Tax authorities establish the rules and mechanisms for compiling and issuing tax statements. They are entitled to impose additional taxes and fees, to introduce the late payment charge, to impose significant penalties, which seriously increases tax risk probability. The Company complies fully with the tax legislation relevant to its operations</p>	If taxation schemes or terms are changed, the Company will integrate these changes in its financial and economic activities	
Risks linked to the Company's activity				
14	Risks posed by the Company's claims currently in litigation	In 2013 a number of regional retail companies operating in the service area of IDGC of Centre and being service consumers of the Company, were deprived of the SLR status. Due to the insolvency of those organisations, both lenders and debtors themselves filed bankruptcy petitions	As a result, IDGC of Centre laid down the requirement to include retailers' debts in the list of creditors' claims. However, it is unlikely that the requirements of the Company in the insolvency process will be satisfied in full by the bankrupt's assets	

SECURITIES

SHARES

SHARE CAPITAL

IDGC of Centre charter capital totaled RUB 4,221,794,146.80 as of December 31, 2014, and was divided into

42,217,941,468 common shares with a par value of 10 kopecks The Company did not issue preference shares.

Securities	Identification number	State registration date of issue	Nominal value, RUB	Number, shares
Common registered shares	1-01-10214-A	March 24, 2005	0.1	42,217,941,468

The authorised stock is 258,532 common registered shares with a par value of 10 kopecks each. The authorised stock was formed during restructuring of the Company in 2008 when it merged the regional grid companies as the difference between the authorised stock and the issued stock.

The Company has no stock in cross holding.

As at the share register closing date for making the list of persons to participate in the annual General Shareholder’s

Meeting – May 12, 2014 – the number of persons in the register of shareholders amounted to 16,526.

The total number of persons registered in the Company’s register of shareholders as at December 31, 2014 is 14,191. The state owns a 0.46% share in the charter capital of the Company.

The structure of the share capital as of December 31, 2014 and at the most recent closing date the Company’s share register is the following:

Structure of share capital as of December 31, 2014		Structure of share capital as of May 05, 2014 (most recent closing date the share register)	
Shareholder	% of shares issued	Shareholder	% of shares issued
Private shareholders	3.9	Private shareholders	5.8
Corporate shareholders	1.1	Corporate shareholders	89.8
Nominee shareholders	94.8	Nominee shareholders	0.0
Trustees	0.2	Trustees	4.4
Total:	100	Total:	100
Russian residents	99.9	Russian residents	62.5
Foreign residents	0.1	Foreign residents	37.5
Total:	100	Total:	100

REGISTRAR

The IDGC of Centre share register is kept by an independent registrar, Reestr-RN LLC having a website at: <http://www.reestrn.ru>.

Reestr-RN LLC is one of the top ten registrars and consistently takes top positions in the PARTAD national registrars rating.

The registrar’s branches and the Company’s branch divisions fulfilling certain registrar functions operate on the territory of IDGC of Centre activities for the convenience

of shareholders and their representatives. Managers on interaction with shareholders at the Company’s branches also provide necessary consultations.



Their full list and contact information may be found on the Company’s corporate website.

TRADING ON THE STOCK EXCHANGE

Since 2008, Common shares of IDGC of Centre have been traded on the MICEX Stock Exchange, which is a part of the Moscow Stock Exchange group, and as at December 31 2014 are included in the highest ‘A’ listing of the first tier.

Price and capitalisation as of December 30, 2014

Last traded price, RUB	0.2525
Last traded price, USD	0.0045
Shareprice (weighted average), RUB	0.2735
Shareprice (weighted average), USD	0.0048
Capitalisation (based on weighted average), mln RUB	11,547
Capitalisation (based on weighted average), mln USD	204

CAPITALISATION OF IDGC OF CENTRE

Capitalisation of IDGC of Centre as at December 31, 2014 totaled RUB 11.5bn and increased by 24.4% vs. 2013.

Key contributions to the capitalisation growth were made due to internal corporate events related to the payment of dividends by 2013 results and the publication of positive statements for the first 6 months of 2014. Additional support to the shares was based on the investment attractiveness of the Company such as development of additional services and presence in the most developed regions of Central Russia. The most active periods of growth were in July and September, the months when the Company reached historical highs in the monthly sales volume of shares.

However, during the year, the adverse events associated with the political situation and the weakening of the national currency had a negative impact on the capitalisation of the Company and the total stock market.

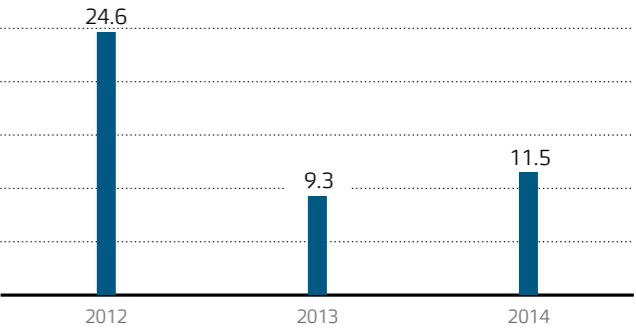
An additional negative factor for the grid sector was caused by the news about the uselessness of privatisation of distribution companies and the lack of legal framework for proper compensation of "income shortfalls" caused by utility connections at a reduced price and by the absence

The Company’s shares are included in the base for computing the Second Tier Index of the Moscow Stock Exchange (MICEX SC) and the MICEX Power Industry Index (MICEX PWR). In the opinion of the Moscow Exchange Index Committee, the free float ratio is 25%.

Tickers and Indexes

Tickers at the main stock exchanges and trading floors	Moscow Exchange: MRKC
	Bloomberg: MRKC RX
	Reuters: MRKC.MM
Inclusion to the stock indexes	Moscow Exchange: <ul style="list-style-type: none">• MICEX PWR (ratio 2.15%),• MICEX SC (ratio 2.64%),

Capitalisation dynamics of the Company in 2012–2014, RUB bn



of mechanisms to limit the growth of receivables of SLR suppliers to the grid companies.

The capitalisation dynamics of IDGC of Centre in 2014 was significantly better than the MICEX Index (MICEX) and the MICEX Power Industry Index (MICEX PWR), which ended the year below zero. Dynamics of IDGC of Centre share price compared with MICEX and MICEX PWR indexes in 2013:

Dynamics of IDGC of Centre share price compared with MICEX and MICEX PWR indexes

	IDGC of Centre, RUB	MICEX Index	MICEX PWR Index
December 30, 2014 (weighted average)	0.2735	1,396.61	797.54
December 30, 2013 (weighted average)	0.2199	1,504.08	1,032.39
Change, %	24.4	-7.1	-22.7
MAX (at closing)	04.09.2014: 0.358	03.12.2014: 1,606.84	23.01.2014: 1,069.06
MIN (at closing)	25.04.2014: 0.186	14.03.2014: 1,237.43	16.12.2014: 938.03

The volume of trading and amount of transactions involving IDGC of Centre stock on the Moscow Exchange

Indicators	2012	2013	2014	Deviation 2014/2013, %
Number of transactions	37,874	33,310	43,900	31.8
Volume, mln	1,979.4	2,146.1	6,007.9	179.9
Volume, mln RUB	1,228.2	786.6	1,594.8	102.7
Volume, % of Free float	18.7	20.3	56.9	36.6 p.p.

Key information about the securities market in 2011–2014

Indicators under RAS	Unit	2012	2013	2014
Closing price at year end	RUB	0.6	0.2186	0.2525
High for the year	RUB	0.8756	0.6954	0.3705
Low for the year	RUB	0.3867	0.1803	0.183
Average daily trading volume	RUB mln	4.82	3.15	6.38
	shares mln	7.76	8.58	24.03
Earning per share (EPS)	RUB	0.08	0.01	0.08
Dividend yield (year-end)	%	4.07	0.82	7.80
EV/EBITDA	-	4.08	3.59	3.09
P/E	-	7.14	31.70	3.47
TSR	%	-1.72	-60.63	26.57

* Average on the Moscow Exchange.

** Formula: Dividends/Number of shares/Year-end closing price The figure for 2014 is stated as per the forecast. The amount of dividends for 2014 will be decided at the Annual General Shareholders' Meeting in June 2014.

THE FORMULA FOR CALCULATING TSR:

$$TSR = ((AK - AH + DA) / AH) \bullet 100 \%,$$

where

TSR – Total shareholder return

AK – Share price at end of period

AH – Share price at the beginning of the period

DA – Dividends accrued per share in the reporting period, approved by the AGM decision

BONDS

The Moscow Exchange trades Series BO-01 3-year bonds of IDGC of Centre with a total par value of RUB 4bn. The traded bonds are included in the First (highest) tier of the stock exchange.

The Company successfully offered its Series BO-01 bonds on October 17, 2012 within the framework of diversifying its credit portfolio, which allowed the Company to borrow funds at more favorable conditions.

The issue of IDGC of Centre's exchange-traded bonds was organised by GPB (JSC) and CJSC VTB Capital. The depositary functions are performed by NCO CJSC NSD.



For details on the traded bonds, please visit the Company's website.

The main features of the bonds	Series BO-01 exchange-traded bonds
Number, bonds	4,000,000
Nominal value, RUB	1,000
Volume, RUB	4,000,000,000
Identification number	4B01-01-10214-A
Date of assignment of identification number	July 13, 2012
Date of initial placement	October 17, 2012
Maturity date	October 14, 2015
Maturity	3 years
Rate, %	8.95
Stock exchange	CJSC MICEX STOCK EXCHANGE
List	First (highest)
Coupon yield per share, RUB	44.63
Coupon yield paid	1 coupon – RUB 178,520,000 (April 17, 2013) 2 coupon – RUB 178,520,000 (October 16, 2013) 3 coupon – RUB 178,520,000 (April 16, 2014) 4 coupon – RUB 178,520,000 (October 15, 2014)

RELATIONS WITH SHAREHOLDERS AND INVESTORS

IDGC of Centre is committed to observing the rights of minority shareholders and information transparency, which helps to increase the Company's investment appeal. Compliance with these principles is aimed at supporting the trust of the investment community and guarantees to shareholders maximum return on investment in the longer term. The Company provides information support to shareholders in accordance with the requirements of the legislation of the Russian Federation and internal documents of the Company.

The Company's management maintains ongoing dialog with the institutional investors and analysts by holding meetings, presentations, online conferences and conference calls, and submits all necessary information.

In 2014, one hundred and forty meetings were held with the representatives of the investor community with the participation of IR-managers of the Company. Nine events were held with the participation of top managers, including participation in VTB Capital's "RUSSIA CALLING!", an international investment forum.

In the reporting year, the Company held a webcast on the year 2013 results, which combined a conference call and an online presentation. The new format of the event allowed to attract remarkable attention from the investment community and the media, and became an effective tool to build future relations with the shareholders and investors.

At the end of 2014 we held a regular annual survey of the investment community (Perception Study) on the quality of the IR-service performance of IDGC of Centre.



The Calendar of IR-events for 2014 and 2015 is given in Appendix No. 5 to the Annual report and posted on the Company's website.

9.06

Out of 10 was the total aggregate score awarded by the respondents to the Company's IR-managers

The total aggregate score awarded by the respondents to the Company's IR-managers was 9.06 out of 10 – higher than in the previous year (8.45 out of 10). Evaluation criteria included competency, availability, integrity, response time to requests. Each criterion was evaluated by respondents on a scale of ten, in which 10 is the highest rating. Sell-side respondents awarded the work of IR-service with 9.10 points, buy-side – 9.02 points.

The Company pays close attention to remote communication channels with investors and shareholders, aiming to improve the quality and effectiveness of communications. One of the most efficient interaction channels remains a specialised section on the website: "Investors and Shareholders". Placing data on the website allows to give not only operational, but also most complete and reliable information about the Company's corporate events. The site traffic increased by 20% in comparison with the previous year. In 2014, there was a significant growth of interest in the Company's activities on LinkedIn, Twitter and Slideshare.



140

IR-events and contacts were set up in 2014

20%

Growth of visits on the website section "Investors and Shareholders" against 2013

ANTI-CORRUPTION ACTIVITIES

Anti-corruption activities of IDGC of Centre are carried out in accordance with the Company's Anti-Corruption Policy, approved by the Board of Directors in 2014.

The document's main intention is to develop and implement a coherent system for corporate and anti-corruption compliance procedures aimed at preventing, detecting and eliminating corruption and at minimising reputation and corruption risks for IDGC of Centre.

In 2014, within the framework of its Anti-Corruption Policy, the Company verified information about the chain of ownership in respect of IDGC of Centre's counterparties, on the reliability of provided data about legal entities and natural persons.

In order to settle conflicts of interest, pre-conflict situations and other irregularities, the Company set a Commission on Corporate Ethics and Settlement of Conflicts of Interests.



Current version of the document is available at the Company's corporate website.

Anti-corruption monitoring is also performed as a part of procurement activity– the Company identifies affiliation and conflict of interest between the counterparties (ultimate beneficiaries) and employees of IDGC of Centre.

In the reporting year, the IDGC of Centre's trust line proved its effectiveness: (+7 (495) 747-92-99, doverie@mrsk-1.ru); its aim is to receive and verify information about possible corruption and violation of corporate ethics in the Company.



05

SOCIAL RESPONSIBILITY

HUMAN RESOURCES

The HR and social policy of IDGC of Centre is aimed at achieving the targets of the Strategy for the Russian Power Grid Complex and includes the following directions



In 2014, the Board of Directors approved an internal document, which became the cornerstone of the activities, implemented by the Company, i.e. HR and Social Policy of IDGC of Centre, Minutes of the Board of Directors dd November 28, 2014 No. 26/14.



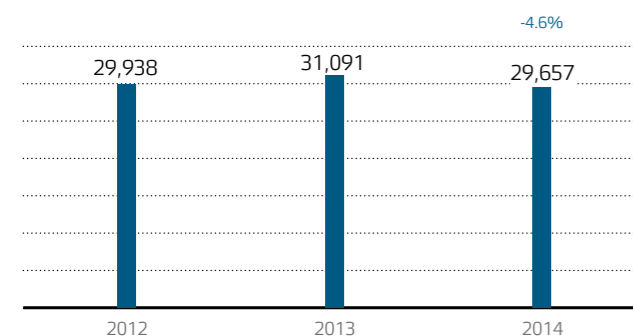
For more information on the document, please see our corporate website.

STAFFING LEVEL

The average number of employees of IDGC of Centre in 2014 comprised 29,657 employees, which is by 4.6% less than in 2013.

Decrease in the personnel number in 2014 is mostly caused by IDGC of Centre being deprived of the SLR status and, consequently, having to lay off its employees, as well as by holding activities on optimisation of the number of office and management personnel and transfer to outsources of the house keeping functions. Growth of the average

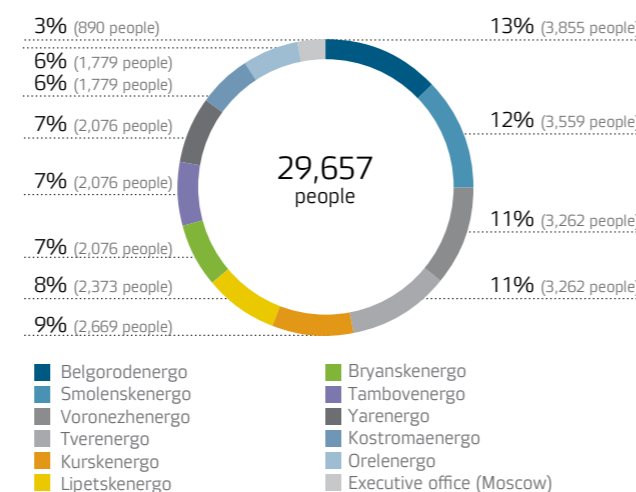
Average number of employees in 2012-2014, people



staffing number in 2013 was caused by IDGC of Centre acquiring the SLR status in compliance with the order of the Ministry of Energy of the Russian Federation and hiring personnel for operation in the field of power supply.

The staffing level in 2014 was 95% as of the end of the year, which corresponds to the levels of 2013 and 2012.

Distribution of average number of employees in 2014 by branch, %



Employee structure by category, %



The personnel structure, broken down by category, is typical for the power-grid complex companies and has remained stable over the last three years: workers constitute most of the Company's staff, accounting for 51%.

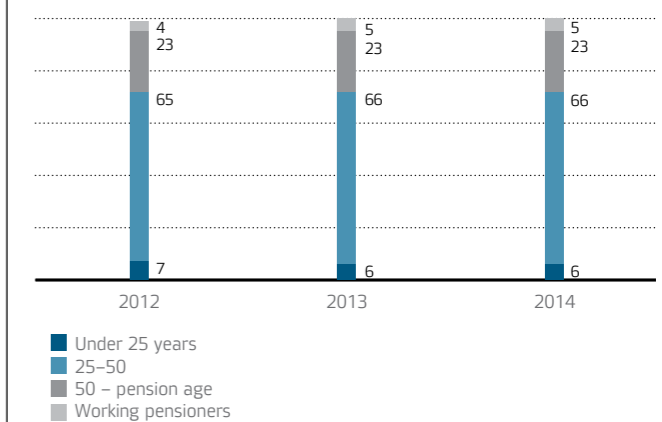
Decrease in the number of specialists and office staff by 2 per cent in 2014 was caused by giving up by IDGC of Centre of the SLR status and holding activities on optimisation of the number of office and management personnel. Increase in the number of workers by 2 per cent resulted from filling positions in the distribution zones and creating a distribution zone Yargoretroset in IDGC of Centre branch Yarenergo.

The main pool of the Company's personnel comprises employees in the age 25–50 years (66%). The Company's structure, broken down by age, remains stable: over the period 2012–2014 staff age correlations experienced almost no change.

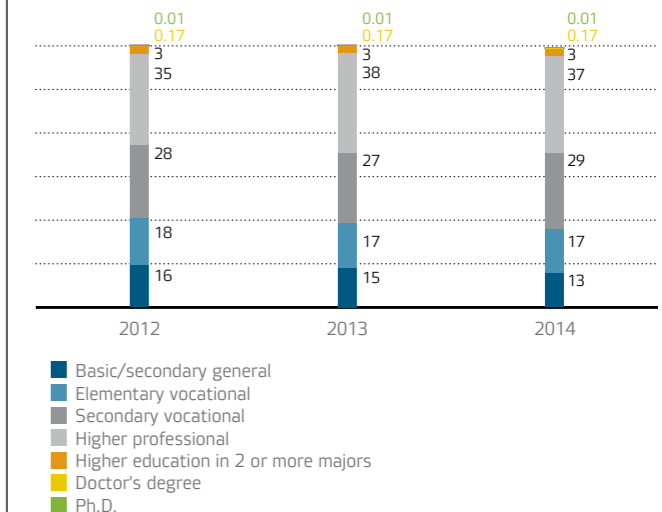
Employees' average age equals 41 years. In 2013–2012, this indicator was equal 40.8 and 40.6 years respectively.

The Company's personnel possesses high level of qualification; about 87% of the employees received professional education. High level of current technologies in the field of power supply require that qualification of the Company's personnel is enhanced and improved. Analysing personnel educational level demonstrates that the share of employees without professional education drops down yearly.

Employee structure by age, %



Employee structure by level of education, %



4.6%

Reduction of staff in 2014

95%

Staffing level

PERSONNEL TRAINING AND DEVELOPMENT

The system of IDGC of Centre personnel education and development is intended to maintain professional and educational level of the employees in compliance with the Company's development strategy and is aimed at creating conditions for vocational and personal growth of its personnel. In compliance with the Rules of HR Management in the Power Energy Sector of the Russian Federation, advanced training of employees should be of continuous nature and carried out throughout the entire working career. The need to advance professional training results from personnel having to face the industry challenges and increased social weight of the power energy sector enterprises.

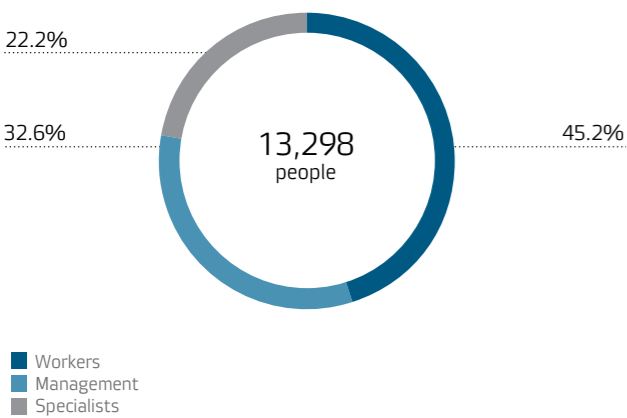
Training, retraining and advanced training of employees is planned in accordance with the applications of the Heads of the structural divisions, subject to scenario conditions, business need, laws and regulations of the Russian Federation.

The following criteria are placed the most emphasis on upon making educational and training programmes:

- the need to train the production personnel, busy in execution of the Company's core activities;
- regularity of the personnel advanced training;
- meeting the requirements on preexamination training of employees of hazardous industrial facilities;
- first-aid training;
- training of the rules, requirements and instructions on technical operation, occupational, industrial and fire safety;

Taking due account of the nature of activities of the Company and its targets in staff training, the structure of employees to have participated in the educational activities is characterised by predominance of workers and production personnel.

Distribution of the trained employees by category in 2014, %



In total, in 2014 educational activities were attended by 13,298 persons, or 44.8% of the Company's personnel.

The Company's staff training activities are carried out in two ways:

- on-the-job place personnel training (based on its own classrooms, operating staff training grounds);
- full-time training in the specialised educational institutions and training centres (professional training, retraining and advanced training of staff).

The graph demonstrates comparative data on the share of employees to participate in the educational activities, amount of training costs as compared to the labour compensation fund (%) as per each branch.

Ratio of employees who took part in training activities, and the level of training costs in relation to the payroll in 2014, %

	Share of employees who received training, %	Share of employees who received training based on the Company's own training centers	Correlation of training costs to LCF
Belgorodenergo	36.9	0.5	0.27
Bryanskenergo	36.0	0.4	0.44
Voronezhenergo	34.0	22.0	0.70
Kostromaenergo	55.3	0	0.77
Kurskenergo	68.1	0	0.35
Lipetskenergo	49.7	0	0.44
Orelenergo	55.0	20.0	0.60
Smolenskenergo	28.1	3.8	0.57
Tambovenergo	48.8	0	0.43
Tverenergo	4.0	24.4	0.55
Yarenergo	50.1	1.7	0.99
Executive office	42.8	0	0.64

IDGC OF CENTRE IS THE FOUNDER OF THREE TRAINING FACILITIES:

- Tver Training Centre Private Institution.
- Energetik, Voronezh Training Centre Private Educational Institution.
- Orlovsky Training Complex Private Educational Institution.

The training centres are licensed to conduct training activities; these are key educational institutions to meet the need in educating employees of the Company's branches in the respective regions.

The major part of the educational activities, carried out by the training centres, falls onto preparation of dispatchers, foremen, electricians of various specialisation, electrical fitters.

2,038 individuals, or 15.3% of the trained staff, received education based on the training facilities established by IDGC of Centre.

INTERACTION WITH TRAINING FACILITIES

In the field of (advanced) staff training, the Company cooperates with the number of higher, secondary professional and vocational educational institutions, including NRU Moscow Power Engineering Institute, Ivanovo State Power Engineering University, St. Petersburg Power Engineering Institute of Further Education, Rostekhnadzor training centre.

In order to ensure for better-quality training, recruitment and development of electrical engineering personnel, the Company concluded long-term partnership contracts with the number of higher and secondary professional educational institutions. Partnership programmes are implemented both at the level of the Company's executive office, and at the regional level by IDGC of Centre branches.

TALENT POOL

IDGC of Centre forms management talent pool and young-specialist talent pool both for the executive office of the Company and its branches.

In October 2014, the management talent pool was formed to include the following positions:

- Executive office: Deputies General Director, Heads of departments directly reporting to the General Director.
- Branch management: Deputies General Director, Branch Director, Heads of departments directly reporting to the Branch Directors, PGC Heads and Chief Engineers.

Out of 411 appointments to upper positions, made in 2014 in the branches and executive office of the Company, 235 Heads (57.2%) were appointed from the management and young-specialist talent pools.

2,782 employees
Management talent pool

1,177 employees
Young-specialist talent pool

STAFF MOTIVATION

Employees’ Incentives

Financial incentives		Non-financial incentives		
Tariffs	Variable remuneration	Moral encouragement system		
Salary	Additional payments as percents to salary	Outstanding performance	Implementation of innovative projects	Years-long dedicated work

FINANCIAL INCENTIVES

The Company labour compensation plan is organised in compliance with the requirements of the Labour Code of the Russian Federation, local norms of IDGC of Centre and Sectoral Tariff Agreement (from hereinafter – STA) in the Power Energy Sector of the Russian Federation for 2013-2015. The Company operates using a unified tariff system of IDGC of Centre, stipulating for labour compensation basing in tariff rates (official salaries), determined depending on skill category and job title, and allowing to differentiate labour compensation of employees taking due account of the level of professional qualification and special aspects of the structural division, alongside with of the level of difficulty and responsibility of the performed works (functions).

Tariff rates are defined based on the minimum monthly tariff rate of a first-rate wageworker (MMTR). In accordance with the Collective Labour Agreement of IDGC of Centre, MMTR is adjusted in compliance with index.

In 2014, the employees’ average wage grew up by 16% as compared to 2013, which was caused by adjustment

according to index of the tariff rate in Q4 2013 and corresponding growth of the variable part of wage, based in tariff rate (official salary).

IDGC of Centre wage indexation allows to keep average wage of the branch employees above average payment throughout the region.

In every branch average wage is different and depends on specific aspects of the particular region and the amount of the established tariffs, as well as on different levels of the staff turnover, and consequently, on the need of the branch to keep highly-qualified employees by means of increasing key-profession average wage level.

With the view to increase key-profession average wage level, following the results of further training tariff level factors are increased, an increment for professional excellence and high-level qualification is added.

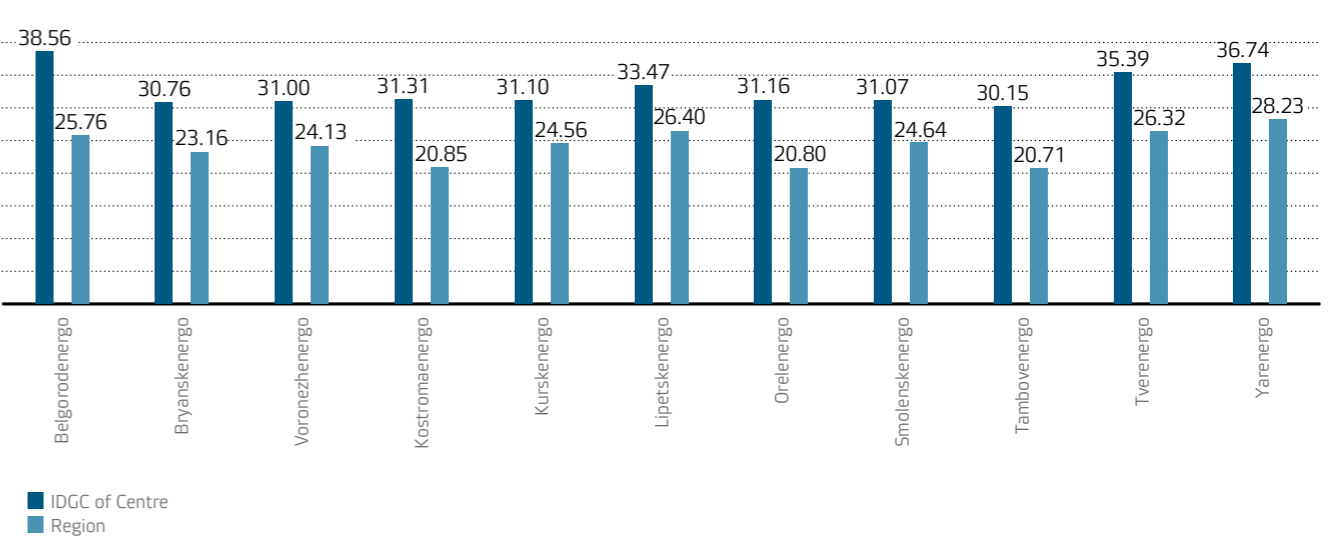
ADDITIONAL MATERIAL INCENTIVES

Apart from salary, the Collective Labour Agreement of IDGC of Centre and other internal documents of the Company define other additional payments (variable part of wage):

- bonus payment for key production and economic indicators;
- additional payments, relating to labour routine and labour

- conditions;
- payment for regular and additional vacation leaves;
 - long-service award;
 - leave financial assistance.

Correlation of average wage of the branches employees to average wage in the regions in 2014, RUB thous.



NON-FINANCIAL INCENTIVES

IDGC of Centre follows a system of incentives for achieving outstanding results, conducting innovation projects, and for the diligent loyalty to the Company over a long period of time.

In 2014, 10 employees of the Company received national awards, another 332 received awards from the Ministry of Energy, yet another 250 received corporate awards from JSC ROSSETI; 70 employees were awarded by the All-Russian Association of Employers of the Power Sector, and 713 employees were awarded by IDGC of Centre.

One company employee was awarded by placing his name on the Power Industry Honour Board, and 10 more were listed in the Power Industry Honour Book. Three employees were awarded a commendation by the President of the Russian Federation for construction and significant contribution to reliable operation of the Sochi distribution zone PGC Olympic facilities, one employee was awarded a commendation by the Ministry of Energy of the Russian Federation, and 408 employees of the Company were awarded corporate awards by JSC ROSSETI.

SOCIAL BENEFITS AND PROTECTION

Key areas of social policy

Social benefits, protection and compensations	Insurance	Housing policy	Private Pension Scheme
Lump-sum payments in compliance with the Collective Labour Agreement	Voluntary medical insurance Accident and sickness insurance	Compensations for the rent of accommodation Compensations for part of mortgage interest under mortgage contracts	Supporting employees to take their well-deserved rest
RUB 761.3mIn	RUB 188.8mIn	RUB 22.2mIn	RUB 155.5mIn

Apart from the above mentioned social programmes, IDGC of Centre pays considerable attention to the following areas of social work.

Each branch of IDGC of Centre has the Veterans’ council that serves as a link between retirees and branch management, helps to identify retirees in dire need, and cooperates with the branch management to organise corporate events.

With the view to develop interaction with young specialists every branch of IDGC of Centre operates a Council on the Youth.

Vocational guidance is carried out at schools and aims at detecting and selecting the most prominent and prepared students to be offered employer-sponsored education at the educational institutions the Company has agreements with. Students of these educational institutions receive practical and pre-graduation training at the Company.

Scholarships by IDGC of Centre are allocated, graduates assignment is made personally.

The Company arranges Summer and Winter Games, and so-called "Merry Ready-Steady-Go" Games ("Veselyie Starty") to engage the employees’ families in sports activities.

Different competitions, for the best children’s composition or drawing on various subjects, are held among children of the employees. Among popular activities, carried out by the Company, are contests, shows, excursions, corporate recreation at weekends and holidays, all kinds of competitions among children of the employees and retirees (artistic, literary, photo contests, children’s crafts competition). New Year festivities are arranged for children of the employees on regular basis. Charity events of assistance to orphanages are held regularly, and donorship, including creating the donor base from the list of the Company’s employees and holding Donor Day in the Company’s branches, is actively supported.

LABOUR SAFETY

Occupational safety of the employees of IDGC of Centre is ensured by safety rules, determined by legislation, alongside with activities under the Low Injury Risk Programme (Minutes of the Board of Directors dd February 03, 2014 No. 01/14) and the Regulation On the Occupational Health and Management System, implemented within the Company.

Employees of the Company with access to electrical installations are provided with up-to-date electrical safety devices and heatproof workwear suits.

Considerable attention is paid to personnel training at the training grounds, where employees practise accurate maintenance of electrical installations and repair works.

Not less than every two years (depending on occupation) medical checkups of the staff are held. Records are kept of those employed in hazardous, dangerous and difficult working conditions. Records are based on the results on the certification of working conditions at workplaces and, starting 2014, special evaluation of labour conditions. In compliance with the Russian Federation labour legislation and Collective Labour Agreement, a number of employee categories are provided with additional benefits and compensations (additional leave etc.).

New specialists preparing to work in hazardous or dangerous conditions undergo training on safety work procedures. Current employees complete periodic refresher courses on labour safety and several employee categories are tested on labour safety knowledge.

In 2014, the Company organised first-aid training for workplace accidents and training for CPR instructors. The Company also financed mandatory training and certification of the employees stipulated by Acts on labour safety and industrial security.

Labour safety spending in the reporting period totalled RUB 500.1mIn. The major part of these funds (68.6%) was used to provide employees with safety means and equipment to reduce the injury risk at work and fulfill the norms on provision of personnel with safety means.

As compared with 2013, these expenses grew up by 5.9%. An increase was registered in the following areas:

- activities aimed at accident prevention – by 53.7%;
- sanitary and hygienic measures aimed at prevention of workplace diseases – 9.1%;
- provision of employees with personal protective equipment – 4.4%.

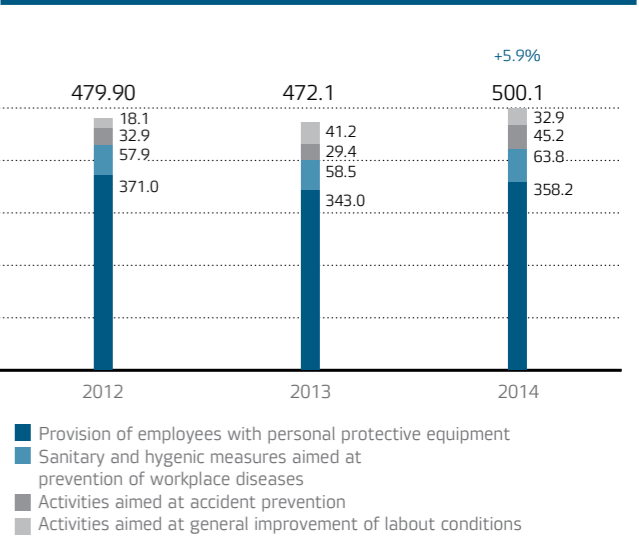
271 training grounds
in the service area of the Company

12.6 k persons
persons received training

4 training centres
(238 technical classrooms)

11.9 k persons
persons received training

Structure of labour safety costs, RUB mIn



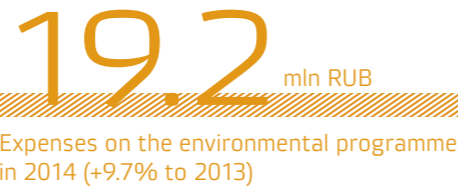
At that, total expenses accruing for general improvement of labour conditions decreased by 20.3%.

ENVIRONMENTAL POLICY

AIR PROTECTION

The toxicity of vehicle emissions is controlled by means of the following measures:

- sensor monitoring of complying with the norms associated with the maximum permissible emissions (MPE) limit to prevent it from exceeding the maximum level;
- adjustment and replacement of automobile fuel systems;
- quarterly checkups of vehicle emissions control register (CO and CH emissions) being kept in accordance with the state standards GOST R 52160-2003 and GOST R 52033-2003;



- instrumental tests in the safety zone, greening up and landscaping of the territories.

SUSTAINABLE USE AND PROTECTION OF WATER RESOURCES

The Company takes laboratory samples of ground water and wastewater to check its microbiological, radiological, and chemical makeup, carries out the cleaning of sewage wells and networks, and takes periodical water samples from artesian wells.

Working projects for artesian wells, used for water supply, are developed; extraction license agreements are drawn; wastewater is cleaned.

LAND CONSERVATION AND EFFICIENT LAND USE

Lab check measurements of quantitative chemical soil analysis and geological examinations are made.

Measures are taken to reduce harmful effect produced on the soil (rectification of the polluted areas): construction

of temporary storage (depositing) facilities for oil-filled equipment, used oils, scrap metal, and wooden poles.

WASTE PROCESSING

We set up separate waste storage areas for various danger classes of waste at production sites and monitor compliance with MPE and MPD regulations at waste deposition sites.

We track the accumulation of hazardous materials, such as mercury-filled lamps, and set up areas to receive waste. The number of branches acquired demercurisation kits for emergency safeguards and elimination of mercury spills and vapours in case of crippling fluorescent lamps.

PRODUCTION FACILITIES MODERNISATION

In 2014, oil circuit breakers were replaced by gas-insulated and vacuum. Unlike oil breakers, vacuum breakers are more reliable, and are fireproof and environment-friendly. In 2014, oil breakers underwent overhaul, oil drip converters were repaired, oil ducts were replaced by ducts with solid insulation. Events protecting wildlife were implemented, self-supporting insulated wire were installed, old equipment was disposed and 205 items were acquired reducing fuel consumption and ecological class of automobile Euro 2 and higher.

Orelenergo branch acquired an electromobile. In terms of economy, the electromobile exceeded petrol peer by 5.7 times.

In order to protect birds from impact of electricity on 35–110 kV high-voltage transmission lines, there were 3,016 bird scare devices installed. Bird scare devices BSD-6-10 kV-LINE (399 items) were installed following new construction of power lines. Bare wires on 0.4–10 kV lines were replaced by insulated wires or cables.

THIRD PARTY SAFETY

WITH THE VIEW TO REDUCE THE INJURY RISK OF THIRD PARTIES AT IDGC OF CENTRE FACILITIES, THE FOLLOWING MEASURES ARE OBSERVED:

- Monitoring electric facilities to keep them safe.
- Raising public awareness.
- Ensuring safe performance of the contractors.

SECURING OF THE POWER GRID FACILITIES

In order to provide for securing of the power grid facilities, the Company detects and takes measures to rectify violations as to unwarranted constructions in the protected areas, transfers power lines from school premises, playgrounds, densely populated areas.

Measures are taken to replace overhead lines of 0.4–10kV bare wire with self-supporting insulated wire (SSIW). Additional informational signs and billboards cautioning against electric shock danger are installed in the populated areas close to public places and childcare institutions, along shorelines and fishing grounds.

AWARENESS-RAISING PROGRAMME

Special attention is paid to the prevention of electrical injuries to children. The Company gives special classes on electrical safety in schools. Employees of IDGC of Centre tell children and teenagers about the rules of safe handling of electric appliances and behaviour close to power energy

facilities, on what to do in case of emergency. Local print media receive for further distribution handouts on electrical safety for children and parents; subject visual information is posted in public transport.

SAFE EXECUTION OF WORKS BY CONTRACTING ORGANISATIONS

Safe execution of works by contracting organisations is ensured by means of taking administrative and technical measures, including additional activities, i.e. using video and photographic materials on injuries upon conducting instructions; mandatory checks of availability of design and estimate documentation, then process control

documentation, underlying the basis of works, alongside with quality checks of applied goods and materials; inclusion into the programme of the Labour Safety Day agenda of the matter "Verification of work-permits of the secondee crews and construction and installation (C&I) organisations".

PROCUREMENT

Procurement of goods, work and services in IDGC of Centre is carried out on competitive basis, which allows the Company to ensure that funds are applied more effectively, but high quality of services is preserved.

- IDGC of Centre procurement is regulated by the following documents:
- Procurement Policy, approved by the resolution of the Board of Directors of the Company (Minutes dd. July 14, 2014 No. 16/14).
 - Regulation on Procurement of Goods, Work and Services for the “IDGC of Centre” Needs, approved by the Board of Directors (Minutes dd. June 13, 2013 No. 15/13).



For more information on the document please see our corporate website.

Funds allocated for publishing results of tenders and procurement at IDGC of Centre



Russia's official website for procurement information.



IDGC of Centre, corporate website.



JSC ROSSETI electronic trading platform.

The Company bases its procurement on the following principles:

Principle	Principle description
Procurement transparency	Procurement transparency in compliance with requirements of the existing legislation, in necessary and sufficient degree for the potential counterparts to make decision on their participation in procurement of the Company
Equality, justice, non-discrimination and freedom from unjustified restrictions to the procurement participants	The choice of suppliers, contractors, executors is made by means of holding competitive selection based on equal competitive opportunities subject to non-discrimination and freedom from unjustified restrictions to the procurement participants in accordance with the reasonable requirements to potential participants of the procurement procedures and procured goods, work, services
Appropriate and economically efficient expenditures for acquisition of goods, work, services and implementation of measures aimed to save the Client's costs	The choice of a technical and commercial quotation with overall evaluation of preset price and nonprice criteria, defining economic and other required by the procurement efficiency
Transparency and manageability of procurement	Planning, accounting, monitoring, control and audit of the procurement at every stage of its execution in the Company
Professionalism and competence of employees, participating in procurement of the Company	Personal responsibility of the company officials as to effective organisation of the procurement, along with the decisions made in regard to ongoing procurement procedures. Trouble-free execution of measures, prescribed by the documents regulating the procurement

THE COMPANY IMPLEMENTS VARIOUS TYPES OF BIDS AND CHOSSES THE BEST SUITABLE OPTION TO SUIT CERTAIN OBJECTIVE:

- open and closed;
 - on-line or in hard copies;
 - rebidding if necessary;
 - pre-qualification if required;
 - alternative bids if required;
- one, two or multiple stages;
 - post-qualification if required;
 - special bidding for complex items.

Procurement volume in 2014

	Items procured, items	Amount, RUB bn (VAT excl.)
Total	7,463	24.3
Economical results after bidding		1.0
Open bidding	90.8% from total completed bidding	94.29% from total bidding in terms of value
From e-commerce funds	6,556	22.7
	90.54% from total bidding	98.74% from total bidding (without procurement from a single bidder) in terms of value
Procurement from small and medium-sized business entities	5,383	11.9
		49% from total bidding in terms of value
Conditional regular procurement	1,991	5.7

PROCUREMENT IMPROVEMENT IN 2014

- Automated procurement control system was developed.

As part of ‘road map’ implementation pertaining to cooperation with small and medium-sized business entities:

 - Partnership programme between IDGC of Centre and
- small and medium-sized business entities was approved;

 - consultative body ensuring efficient procurement at IDGC of Centre from small and medium-sized business entities was established.

PUBLIC RELATIONS

Following the principles of informational transparency and duly distribution of credible information, IDGC of Centre main priority in PR is to ensure integrated communication

INFORMATION CAMPAIGNS

In 2014, IDGC of Centre was actively engaged in media activity. Information campaigns giving insight on implementation of programmes for preparation for the autumn and winter periods; improved power efficiency, prevention of injuries with third parties at power grid facilities; detailed procedures for grid connection.

INTERACTION WITH AUTHORITIES

Continuing interaction with state, regional, and municipal authorities in 2014, IDGC of Centre was actively supporting regional offices in implementation –of safe power supply and efficient operation of power grids that got media coverage.

Grid connection of consumers in constituent entities of the Russian Federation in the area of responsibility of the Company was implemented along with continuous interaction with regional administrations and social organisations as stipulated in the signed agreements for information exchange.

OLYMPIC FACILITIES

Special attention in information management was given to Company’s activities dedicated to preparation and support of reliable power supply of Olympic and Paralympic Games facilities in Sochi.

with target audience, implementing unified internal and external information policy.

The focus was given to the information support of the longterm programme for reconstruction and renovation of IDGC of Centre power grids, improving reliability of power supply, innovations and improvement of business-processes in the Company, enhancement of dispatcher control and integrated customer service system, introduction of new additional services, implementation of programme for energy efficiency and power saving.

In 2014, IDGC of Centre concluded agreements for cooperation between energy sector and regional authorities in ensuring development of agriculture and some specific measures aiming to support agro-industry with all the regions it operates in. Considering importance of information coverage of the abovementioned sphere, there was a lot of work to do. Measures taken by the Company in ensuring reliable power supply and providing conditions for grid connection of food industry enterprises and agricultural producers were highlighted, explaining its importance in ensuring the ongoing production and boosting investment activity of entrepreneurs in the sector.

Representatives of federal and sectoral mass media could attend specialised events and press-tours in the regions of the Company’s operation throughout 2014.

PARTICIPATION IN SOCIALLY IMPORTANT EVENTS

In 2014, Company’s representatives took part in 32 congresses and exhibitions on federal and regional level.

As part of International Energy Forum RUGRIDS-ELECTRO, the Company presented key projects of cooperation with educational institutions in training of future specialists of energy sector.

In International Energy Efficiency Forum ENES 2014 IDGC of Centre presented Integrated Management System in Energy Saving and Improved Energy Efficiency project. The management system is integrated in all functional activities of the Company and includes implementation of the best international practices (benchmarking) and international standard ISO 50001. The project of implementation of the integrated management system in the Company received ENES 2014 Forum award.

IDGC of Centre is actively engaged in patriotic and social events in all regions of operation.

TRAINING

Throughout 2014, IDGC of Centre specialists taught school children basic rules of power safety and energy saving. From the start of school year, some institutions held weekly classes where school children were told about safe and rational power consumption and were introduced to modern energy-efficient technologies that can be applied in the household. Up-to-date audiovisual and printed products were worked out.

Prior to summer vacations, Weeks of Power Safety were held in all the regions of Company’s operation. A social project for preventing infant accidents with electricity among students and teachers at schools is a part of IDGC of Centre programme for preventing accidents with electricity at Company’s power facilities that preview a large-scale education. As part of the Week of Power Safety Company’s specialists organised series of methodological trainings for junior and middle level teachers at schools,

In Smolensk, the longest ribbon of St. George in Russia was unfolded at the central square of the city as part of Energy of Victory campaign. The campaign was dedicated to the 69-th anniversary of the Victory in the Great Patriotic War. There were more than 500 young specialists from IDGC of Centre, student labour unions, social organisations, institutions, and regional enterprises. Commemorating the 10-th anniversary, Company employees in Oryol held a large-scale campaign Energy of Generations where the best representatives of the Youth and Veterans’ Councils from all regions of the Company’s presence met in order to carry on the tradition of continuity of generations and pay tribute to the memory of veterans.

In all regions of the Company’s presence an environmental campaign Save Forest Energy was conducted, under which over two thousand trees were planted in the Central Federal District.

took part in meeting of heads of country recreation camps, introducing measures preventing infant accidents that are applied in the summer period.

Energy Efficiency Car Run took place in the Oryol Region where specialists of IDGC of Centre conducted classes on power safety and energy saving in the regional secondary schools. There were more than 2,500 school children from 26 schools participating. Energy Efficiency Car Run aimed at promotion of principles of power safety and energy saving for children, as well as telling about energy efficient technologies.

In order to attract attention of wide audiences to social problems IDGC of Centre implements various means of communication: traditional mass media along with modern means of communication – Internet and social networks.

PUBLIC RECOGNITION

SERVICE QUALITY EVALUATION

IDGC of Centre controls over customer satisfaction with the quality of services and plans for further development of customer service. Principles of evaluation are outlined in Customer Satisfaction Evaluation, Requirements and Expectations MI BP 09/01-01/2012 approved by Order of IDGC of Centre dated September 12, 2012 No. CA-23/162-r. Level of customer satisfaction with services is evaluated basing on:

- customer opinion after processing customer request;
- questionnaires in the customer service offices;
- on-line questionnaires (via the Internet);
- periodic questionnaire programmes (via post and telephone calls to customers).

According to the results of the survey and analysis of the received calls the quality of customer service is evaluated in order to create measures to improve the services provided.

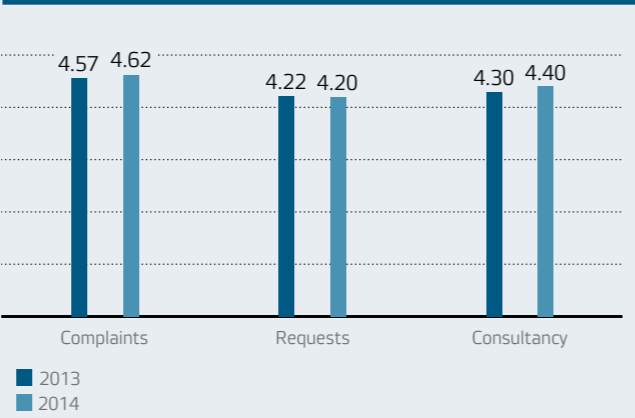
In case of a negative opinion or a piece of advice of the customer in relation to services provided by the Company, the task to address the shortcomings is initiated.

Below are some results of the survey conducted in 2013–2014. The survey was performed among consumers who used the core (electric energy transmission, grid connection) and value-added services, as well as addressed with claims against the Company and for providing advice. In total, more than 50 thousand customers of the services were interviewed.

Estimating on a 5 point scale the level of customer satisfaction, the following results are presented on the graphs:

In 2014, customer satisfaction regarding claim settlement and consultancy increased.

Customer satisfaction evaluation by types of calls, point



Total customer satisfaction regarding claim settlement remains high (4.6 points).

Following the results of questionnaires in 2015, IDGC of Centre is planning to:

- change in procedure of handling customer requests in order to provide full scope of information important for customer while processing request;
- initiate sms-information on handling requests for grid connection, as well as informing population on planned and emergency repairs following power cuts or replacement of metering equipment.

‘LAST MILE’ CONTRACT

‘Last mile’ contract is a leasing contract between Federal Grid Company (JSC FGC UES) and territorial grid company (TGC) under which TGC is leasing from FGC UES the last land plot (last mile) at Unified (National) Power System with consumer connection.

This type of contract is implemented as a temporary measure while Unified Power System of Russia is undergoing reforms becoming possible following the Federal Law No. 250 dated November 04, 2007 On Amendments to Several Regulations of the Russian Federation after reform of the Unified Power System of Russia.

Paragraph 5, Article 8 of the Federal Law No. 35-FZ dated March 26, 2003 On Electric Power forbids the ‘last mile’ starting from January 01, 2014, except for contracts with consumers. The article also allows the ‘last mile’ in several constituent entities of the Russian Federation, where leasing contracts were in force as at September 01, 2013.

Federal Law dated November 06, 2013 No. 308-FZ On Electric Power provides for prolongation of the ‘last mile’ contract until July 01, 2017, including areas of IDGC of Centre operation. Therefore, ‘last mile’ contracts were prolonged until July 01, 2017 for Belgorodenergo, Kurskenergo, Lipetskenergo, and Tambovenergo branches, in other branches ‘last mile’ contracts were terminated on January 01, 2014 (except for cases of agreement conclusion).

Consumers outlined in ‘last mile’ contracts are large industrial facilities. Under the contract, payment for electricity supply is calculated under a unified boiler tariff, with consumer reimbursing the grid company costs for power transmission to communities (cross-subsidy).

Gradual termination of ‘last mile’ contracts provides for introduction of a separate BH-1 tariff level with rates reduction schedule for cross-subsidy.

PROSPECTIVE DEVELOPMENT AREAS OF IDGC OF CENTRE

	Opportunities	Threats
External environment	<ul style="list-style-type: none">▪ Single tariff policy.▪ Government policies for improving the efficiency of the economy (in terms of energy conservation and energy efficiency).▪ Adoption of the Strategy of development of the electric grid complex of the Russian Federation.▪ Expansion of the market of additional services, including in the field of energy efficiency.▪ Bonds market entry	<ul style="list-style-type: none">▪ Depending on the economic situation in the regions and the country as a whole.▪ Reduced energy consumption.▪ Removal of "last mile" and risks of "shortfall in income".▪ Low payment discipline of sales companies and end customers.▪ Emergency situations, natural disasters
Internal environment	<ul style="list-style-type: none">▪ The monopoly position of the Company in the regions of its service area.▪ Branches of the Company are "joint operation administrators" in the regions.▪ Prudent credit policy.▪ High credit rating and positive credit history.▪ The centralized system of planning and cash flow management of the Company.▪ Centralization of major procurement for the needs of the Company.▪ Developed system of customer service.▪ Availability of qualified engineers and technicians	<ul style="list-style-type: none">▪ A large service area and a long distance between facilities: the company has higher costs for their maintenance, more time is required for elimination of failures.▪ High level of wear and tear of electric grid facilities.▪ Formation of accounts receivable, the need to create reserves

Ernst & Young LLC
Sadovnicheskaya Nab., 77, bld 1
Moscow, 115035, Russia
Tel: +7 (495) 705,9700
+7 (495) 755,9700
Fax: +7 (495) 755,9701
www.ey.com/ru

ООО «Эрнст энд Янг»
Россия, 115035, Москва
Садовническая наб., 77, стр. 1
Тел.: +7 (495) 705,9700
+7 (495) 755,9700
Факс: +7 (495) 755,9701
ОКПО: 59002827

INDEPENDENT AUDITOR’S OPINION

To shareholders and the Board of Directors of Interregional Distribution Grid Company of Centre, Joint-Stock Company.

We have audited the accounting (financial) statements of Interregional Distribution Grid Company of Centre, Joint-Stock Company consisting of the balance sheet as at 31 December 2014, the profit and loss statement for 2014 and appendices hereto.

RESPONSIBILITY OF THE AUDITED ENTITY FOR THE ACCOUNTING (FINANCIAL) STATEMENTS

The management of Interregional Distribution Grid Company of Centre, Joint-Stock Company is responsible for the preparation and fair presentation of these accounting (financial) statements in accordance with the Russian Federation rules of accounting (financial) statements preparation and for the internal control system required for the preparation of accounting (financial) statements that are free from material misstatement, whether due to fraud or error.

AUDITOR’S RESPONSIBILITY

Our responsibility is to express an opinion on these accounting (financial) statements being true in all material respects, based on our audit performed.

We conducted our audit in accordance with the Russian Federation auditing standards. These standards require that we comply with relevant ethical requirements as well as planning and performing of the audit to obtain reasonable assurance that the accounting (financial) statements are free of material misstatement.

The audit involved performing audit procedures to obtain audit evidence supporting the values in the accounting (financial) statements and the information disclosure that it contains. The choice of audit procedures is the subject of our judgments, which is based on assessment of the risk of material misstatement of the accounting (financial) statements, whether due to fraud or error. In assessing this risk, we considered the system of internal control, providing making and reliability of the accounting (financial) statements to select appropriate audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the internal control system. The audit also included assessing appropriateness of the accounting policy used and the reasonableness of estimates made by the management, as well as evaluating the accounting (financial) statements in general.

We believe that the evidence obtained during the audit provides a sufficient and reasonable basis for expressing our opinion.

OPINION

In our opinion, the accounting (financial) statements present fairly, in all material respects, the financial position of Interregional Distribution Grid Company of Centre, Joint-Stock Company as at 31 December 2014, the results of its financial performance and cash flow for the year of 2014 in accordance with the established Russian Federation accounting (financial) statements preparation rules.

OTHER INFORMATION

The audit of the accounting (financial) statements of Interregional Distribution Grid Company of Centre, Joint-Stock Company for the year of 2013 and 2012 was performed by another auditor, who issued its auditor’s opinion with expressed unmodified opinions dated 3 March 2014 and 4 March 2013, respectively.

The attached accounting (financial) statements are intended to present the financial position and results of operations in accordance with the principles and methods of accounting generally accepted in countries and jurisdictions other than the Russian Federation. Accordingly, the attached accounting (financial) statements are not intended for persons who are not familiar with the principles and procedures of accounting practices adopted in the Russian Federation.

T.L. Okolotina
Partner
Ernst & Young LLC
2 March 2015



Data on the audited entity

Company name: Interregional Distribution Grid Company of Centre, Joint-Stock Company
Entered in the Unified State Register of Legal Entities December 17, 2004 with the state registration numbered 1046900099498.
Registered office: 127018, Moscow, Russia, 2nd Yamskaya, 4.

Data on the Auditor

Company name: Ernst & Young LLC
Entered in the Unified State Register of Legal Entities December 05, 2002 with the state registration numbered 1027739707203.
Registered office: Sadovnicheskaya nab. 77, bld. 1, 115035 Moscow, Russia.
Ernst & Young LLC is a member of Self-regulatory organization Non-commercial partnership «Chamber of Auditors of Russia».
Ernst & Young LLC is included in the master copy of the register of auditors and audit organizations for the primary registration number entry 10201017420.

BALANCE SHEET AS AT 31 DECEMBER 2014

	Codes
Form under ARCMD	0710001
Date (year, month, day)	31.12.2014
Company IDGC of Centre, JSC	under ARCBO 75720657
Id. tax payer number	TIN 6901067107
Type of activity: Electric power transmission	under ADCEA 40.10.2
Business legal structure/Form of ownership: JSC/private	under ARCF\ARCFO /
Measurement unit: thousand RUB	under ARCM 384
Location (Address): 127018, Moscow, Russia, 2nd Yamskaya, 4	

Note	INDICATOR	Line code	As at 31 December 2014	As at 31 December 2013	As at 31 December 2012
1	2	3	4	5	6
	I. NON-CURRENT ASSETS				
5.1.1., 5.2.2.	Intangible assets	1110	35,715	41,163	21,648
5.2.2.2	including pending transactions to acquire intangible assets	1111	—	—	—
5.2.1. – 5.2.2.	R&D results	1120	84,748	77,030	53,846
5.2.2.	including expenses for R&D in progress	1121	19,320	77,030	53,846
	Intangible exploratory assets	1130	—	—	—
	Tangible exploratory assets	1140	—	—	—
5.3.1. – 5.3.6.	Fixed assets	1150	89,170,794	85,253,111	79,315,364
	land plots and environmental facilities	1151	201,313	199,909	199,727
	buildings, machinery and equipment, constructions	1152	83,820,570	79,171,795	71,001,867
	other types of fixed assets	1153	1,565,862	1,493,079	1,588,067
5.3.5.	construction in progress	1154	3,395,011	4,279,579	6,425,330
5.3.6.	advances made for capital construction and acquisition of fixed assets	1155	10,090	23,421	6,156
	raw materials for use in the creation of fixed assets*	1156	177,948	85,328	94,217
5.3.1.	Profitable investments in tangible assets	1160	—	—	—
	property for leasing	1161	—	—	—
	property on tenancy contract basis	1162	—	—	—
5.4.1. – 5.4.3.	Financial investments	1170	1,377,090	1,611,955	1,635,836
	investments in subsidiaries	1171	1,117,470	1,117,470	1,117,570
	investments in affiliates	1172			
	investments in other companies	1173	165,620	175,885	199,666
	loans granted to companies for more than 12 months period	1174	94,000	318,600	318,600
	other long-term financial investments	1175	—	—	—
5.7.2.	Deferred tax assets	1180	1,014,769	1,015,568	1,056,299
	Other non-current assets	1190	489,885	530,760	611,018
	TOTAL for section I	1100	92,173,001	88,529,587	82,694,011

Note	INDICATOR	Line code	As at 31 December 2014	As at 31 December 2013	As at 31 December 2012
1	2	3	4	5	6
	II. CURRENT ASSETS				
5.5.1. – 5.5.2.	Supplies	1210	1,744,087	1,990,889	1,342,128
	raw material, materials and other analogous values	1211	1,744,087	1,990,889	1,340,698
	construction in progress costs	1212	—	—	—
	finished products and goods for resale	1213	—	—	—
	shipped goods	1214	—	—	1,430
	other supplies and expenses	1215	—	—	—
	Value added tax according to purchased valuables	1220	19,389	1,952	2,529
5.6.1. – 5.6.4.	Accounts receivable	1230	16,713,561	13,024,838	13,459,262
	Payments on which are expected more than 12 months after accounting date	1231	22,629	23,437	43,091
	buyers and customers	123101	9,081	7,699	7,251
	bills receivable	123102	—	—	—
	advances made	123103	7,319	5,303	5,656
	other accounts receivable	123104	6,229	10,435	30,184
	Payments on which are expected within 12 months after accounting date	1232	16,690,932	13,001,401	13,416,171
	buyers and customers	123201	13,892,943	11,065,331	11,736,193
	bills receivable	123202	—	—	—
	debts of subsidiaries and affiliates on dividends	123203	—	—	—
	debts of participators (founders) according to contributions in the authorised capital				123204
	advances made	123205	424,842	166,283	488,107
	other accounts receivable	123206	2,373,147	1,769,787	1,191,871
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	—	—	—
F.4	Monetary funds and money equivalents	1250	367,344	1,030,417	946,346
	cashier's desk	1251	—	335	—
	settlement accounts	1252	343,147	1,002,718	489,153
	foreign exchange accounts	1253	—	—	—
	other monetary funds	1254	24,197	27,364	457,193
	Other currents assets	1260	374,656	410,405	669,101
	TOTAL for section II	1200	19,219,037	16,458,501	16,419,366
	BALANCE	1600	111,392,038	104,988,088	99,113,377
	III. CAPITAL AND RESERVES				
3.1.	Share capital (joint-stock capital, authorised capital, limited partner contributions)	1310	4,221,794	4,221,794	4,221,794
3.1.	Own shares repurchased from shareholders	1320	—	—	—
5.3.1., 5.1.1	Revaluation of non-current assets	1340	—	—	—
3.1.	Additional capital (without revaluation)	1350	33,269,936	33,269,936	33,269,936
3.1.	Reserve capital	1360	211,090	211,090	211,090
3.1.	Retained profit (uncovered loss)	1370	18,528,776	15,273,047	15,843,084
	of past years	1371	15,202,837	14,980,149	12,392,390
	of the reporting period	1372	3,325,939	292,898	3,450,694
	TOTAL for section III	1300	56,231,596	52,975,867	53,545,904

Note	INDICATOR	Line code	As at 31 December 2014	As at 31 December 2013	As at 31 December 2012
1	2	3	4	5	6
	IV. LONG-TERM LIABILITIES				
5.6.7. – 5.6.8.	Loans and credits	1410	27,670,000	31,220,000	26,236,100
	bank credits subject to payment more than within 12 months after the reporting date	1411	27,670,000	27,220,000	22,236,100
	loans subject to payment more than within 12 monthsafter the reporting date	1412	—	4,000,000	4,000,000
5.7.2.	Deferred tax liabilities	1420	6,986,807	6,349,854	4,761,900
5.7.1.	Estimated liabilities	1430	—	—	—
5.6.5. – 5.6.6.	Other liabilities	1450	570,490	575,327	421,149
	TOTAL for section IV	1400	35,227,297	38,145,181	31,419,149
	V. SHORT-TERM LIABILITIES				
5.6.7. – 5.6.8.	Loans and credits	1510	9,530,970	1,831,100	165,941
	bank credits subject to payment within 12 months after the reporting date	1511	5,455,450	1,756,540	92,381
	loans subject to payment within 12 months after the reporting date	1512	4,075,520	74,560	73,560
5.6.5. – 5.6.6.	Accounts payable	1520	8,669,198	10,121,980	10,598,864
	suppliers and contractors	1521	5,315,569	6,212,616	5,552,919
	bills payable	1522	—	—	—
	debt to personnel relating to labour payment	1523	48,444	10,806	354,810
	debt to governmental extra-budgetary funds	1524	328,605	312,890	235,424
	taxes and levies payable	1525	623,824	786,475	482,355
	advances received	1526	1,743,124	2,047,937	3,634,397
	debts to participators (founders) according to income payment	1527	13,120	18,754	10,857
	other accounts payable	1528	596,512	732,502	328,102
	Deferred income	1530	329	509	688
5.7.1.	Estimated liabilities	1540	1,732,648	1,913,451	3,382,831
	Other liabilities	1550	—	—	—
	TOTAL for section V	1500	19,933,145	13,867,040	14,148,324
	BALANCE	1700	111,392,038	104,988,088	99,113,377

O.Y. Isaev
Head
02 March 2015

L.A. SKLYAROVA
Chief Accountant

PROFIT AND LOSS STATEMENT FOR 2014

Company **IDGC of Centre, JSC**

Id. tax payer number

Type of activity: **Electric power transmission**

Business legal structure/Form of ownership: **JSC/private**

Measurement unit: **thousand RUB**

Location (Address): **127018, Moscow, Russia, 2nd Yamskaya, 4**

	Codes
Form under ARCMD	0710002
Date (year, month, day)	31.12.2014
under ARCBO	75720657
TIN	6901067107
under ADCEA	40.10.2
under ARCF\ARCFO	/
under ARCM	384

Note	Indicator	Code	For 2014	For 2013
1	2	3	4	5
	Revenue	2110	86,705,172	92,947,498
	including			
	revenue from electricity transmission	2111	69,151,494	61,396,222
	revenue from grid connection	2112	1,495,542	923,190
	revenue from functioning organisation and development of UES of Russia in terms of electric distribution grid	2113	—	—
	revenue from resale of electric energy and power	2114	15,052,987	29,769,976
	income from participation in other organisations	2115	—	—
	lease income	2116	66,667	
	revenue from sale of other goods, products, works, services of industrial nature	2117	938,482	858,110
	revenue from sale of other goods, products, works, services of non-industrial nature	2118	—	—
2.1.	Cost of sales	2120	-73,947,573	-78,132,435
	including			
	electricity transmission	2121	-65,624,070	-62,949,055
	grid connection	2122	-313,066	-285,754
	functioning organisation and development of UES of Russia in terms of electric distribution grid	2123	—	—
	resale of electric energy and power	2124	-7,540,440	-14,479,849
	participation in other organisations	2125	—	—
	lease	2126	-9,611	
	other goods, products, works, services of industrial nature	2127	-460,386	-417,777
	other goods, products, works, services of non-industrial nature	2128	—	—
	Gross profit (loss)	2100	12,757,599	14,815,063
2.1.	Commercial expenses	2210	-652,624	-1,187,453
2.1.	Management expenses	2220	-2,107,480	-2,140,535
	Profit (loss) from sales	2200	9,997,495	11,487,075
	Profit from participation in other organisations	2310	38,767	19,110
	Interest receivable	2320	106,655	108,169
	Interest payable	2330	-2,501,600	-2,111,578
5.11.	Other profit	2340	6,668,817	5,120,019
5.11.	Other expenses	2350	-9,446,256	-12,693,372

Note	Indicator	Code	For 2014	For 2013
1	2	3	4	5
	Profit (loss) before taxation	2300	4,863,878	1,929,423
2.3.	Current profit tax	2410	-971,250	-696,277
2.3.	including constant tax liabilities (assets)	2421	556,932	1,074,509
2.3.	Change in deferred tax liabilities	2430	-644,055	-771,852
2.3.	Change in deferred tax assets	2450	85,597	7,735
2.3.	Other	2460	-8,231	-176,131
	Net profit (loss)	2400	3,325,939	292,898
FOR REFERENCE				
5.1.1., 5.3.1.	Result from the revaluation of fixed assets, not included in net income (loss) for the period	2510		
3.2.	Result from other transactions not included in net income (loss) for the period	2520		
2.2.	Aggregate financial result of the period	2500	3,325,939	292,898
2.2.	Basic earnings (loss) per share, RUR	2900	0.0787803	0.0069378
	Diluted earnings (loss) per share, RUR	2910		

O.Y. Isaev
Head
02 March 2015

L.A. SKLYAROVA
Chief Accountant

LIST OF ABBREVIATIONS

AIC	Agro-industrial complex
AWS	Automated working station
AMR	Automatic meter reading system
GDP	Gross domestic product
HV	High voltage (110 kV)
FOL	Fibre-optic link
AGSM	Annual General Meeting of Shareholders
SLR	Supplier of last resort
SaA	Subsidiaries and affiliates
UNPG	Unified National Power Grid
ITT	Information technologies, automation and telecommunications
kWh	Kilowatt-hour Measurement unit of generated or consumed electric energy
ERP	Enterprise resource planning
CCG	Code of Corporate Governance, recommended by the Bank of Russia
KPI	Key performance indicators
Conductor	Overhead power line
MVA	Megavolt-ampere. Electric power measuring unit
MW	Megawat Electric power measuring unit
MMTR	Minimum monthly tariff rate of the first-class working man
IFRS (IAS)	International Financial Reporting Standards (International Accounting Standards)
Procurement	Procurement
MUE	Municipal Unitary Enterprise
RGR	Required gross revenue
PIT	Personal Income Tax
R&D	Research and Development
NRCG	National Corporate Governance Rating
NCE	New construction and expansion
SO of Centre	System Operator of Centre
OJSC	Open Joint-Stock Company
LLC	Limited liability company
R&D	Innovative Development Programme
SW	Software
SS	Substation, i.e. an electrical installation, designed for transformation and distribution of electric power

CMP	Cost management programme
RAS	Russian Accounting Standards
DGC	Distribution Grid Company
REC	Regional Energy Commission
PGC	Power Grid Complex
IRM and CS	Internal control and risk management system
BD	Board of Directors
Mass media	Mass media
IATS	Information acquisition & transmission system
AMS	Asset Management System
TS	Transformer substation
RMU	Retrofitting and reconstruction
TGC	Territorial grid companies
t.f.t.	Ton of fuel equivalent
SE MOEX	Closed Joint-Stock Company Stock Exchange MOEX
FUE	Federal Unitary Enterprise
FZ	Federal law
FGC, FGC UES	Federal Grid Company of Unified Energy System, JSC FGC UES
FTS	Federal Tariff Service
CSC	Customer Service Centre
GCC	Grid Control Centre
ECM	Electronic computing machine
SERW	South-Eastern Railway
EPS	Earnings per share
Free float	Shares of the Company in free float, that is in the hands of public investors as opposed to locked-in stock held by controlling and strategic shareholders
IR (Investor Relations)	Company's area of activity, aimed at creating effective interaction of the Company with its shareholders and investors, alongside with other stakeholders, who can have an impact on the market value of the company, in order to provide the most accurate and reliable information on the current condition of the Company and its prospects.
RAB (Regulatory Asset Base)	Type of return on invested capital. The key principle is securing a return on invested assets over a specified period and normalised earnings
ROE	Return on equity - net income, expressed as a percentage of equity
TSR	Total shareholder return



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