



Approved
by the decision of the General Shareholders Meeting
of PJSC IDGC of Center and Volga Region
Minutes № 10 as of June 09, 2016

Preliminarily approved
by the decision of the Board of Directors
of PJSC IDGC of Center and Volga Region
Minutes № 226 as of May 04, 2016

ANNUAL REPORT

Public Joint Stock Company Interregional Distribution Grid Company of Center and Volga Region for 2015

General Director
of PJSC IDGC of Center and Volga Region

E.V. Ushakov

Nizhny Novgorod
2016



PJSC IDGC of Center and Volga Region management is performed in conformity with the requirements of ISO 9001, OHSAS 18001, ISO 14001 and ISO 50001

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Company Overview

Public Joint Stock Company Interregional Distribution Grid Company of Center and Volga Region (PJSC IDGC of Center and Volga Region, the Company) is a subsidiary of the largest Russian energy company PJSC Russian Grids. PJSC IDGC of Center and Volga Region is the key supplier of power distribution and technological connection services in the Vladimir, Ivanovo, Kaluga, Kirov, Nizhny Novgorod, Ryazan, Tula Regions, Mari El and Udmurtia Republics.

PJSC IDGC of Center and Volga Region includes nine branches: Vladimirenergo, Ivenergo, Kalugaenergo, Kirovenergo, Marienergo, Nizhnovenergo, Ryazanenergo, Tulenergo, and Udmurtenergo. The Company headquarters are located in Nizhny Novgorod – the capital of the Volga federal district and Volga-Vyatka economic region.

Consumers of the Company include entities in oil recovery, engineering, metal, woodworking and chemical industries, railway transport, agriculture, construction businesses, housing, utilities and social infrastructure companies.

PJSC IDGC of Center and Volga Region operates 1,551 substations with the voltage of 35-220 kV, more than 267,000 km of power transmission lines; 61,460 6-10 kV distributing and transformer substations (DSS and TSS). The company's staff numbers about 23,000 employees.

The Company's key objectives are to ensure reliable and high-quality power supply to the regions of its presence and seamless connection of consumers to power grids.

Footprint area –
over 408 thous. sq. km

Population of the area –
nearly 13 mln persons

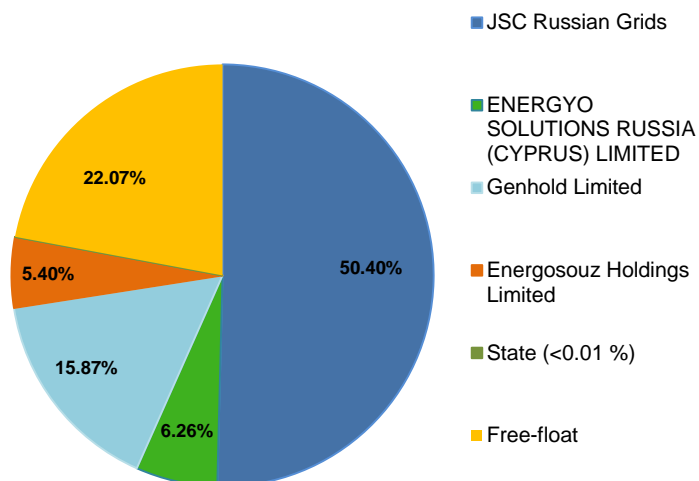
Geographical Footprint

Nowadays PJSC IDGC of Center and Volga Region supplies power to over 13 mln people in the Central and Volga federal districts on the territory of over 408 thous. sq. km.

No.	Russian regions covered by the Company's operations	Area, thous. sq. km	Population, thous. persons	Company branches	The market share of services in the region, %
1	Kirov Region	120.4	1,296	Kirovenergo	60
2	Nizhny Novgorod Region	76.9	3,258	Nizhnovenergo	67
3	Udmurtia Republic	42.1	1,517	Udmurtenergo	22
4	Ryazan Region	39.6	1,129	Ryazanenergo	61
5	Kaluga Region	29.8	1,009	Kalugaenergo	79
6	Vladimir Region	29.1	1,396	Vladimirenergo	62
7	Tula Region	25.7	1,506	Tulenergo	61
8	Mari El Republic	23.4	685	Marienergo	44
9	Ivanovo Region	21.4	1,029	Ivenergo	41

Equity Structure as of December 31, 2015

Company Charter Capital: RUB 11.3 bln



Information on Shares

- Number of shares placed – 112,697,817,043.
- Nominal value per share – RUB 0.1.
- Weighted average MICEX price (MRKP ticker):
 - as of December 30, 2015 – RUB 0.0627,
 - maximum in 5 years – RUB 0.3331,
 - minimum in 5 years – RUB 0.0578.
- Market capitalization:
 - as of December 30, 2015 – RUB 7.07 bln,
 - maximum in 5 years – RUB 37.54 bln,
 - minimum in 5 years – RUB 6.52 bln.
- Dividends per 1 share:
 - for 2011 – RUB 0.0028,
 - for 2012 – RUB 0.00425,
 - for 2013 – RUB 0.00563,
 - for 2014 – RUB 0.0031.

Technical Parameters by Branch

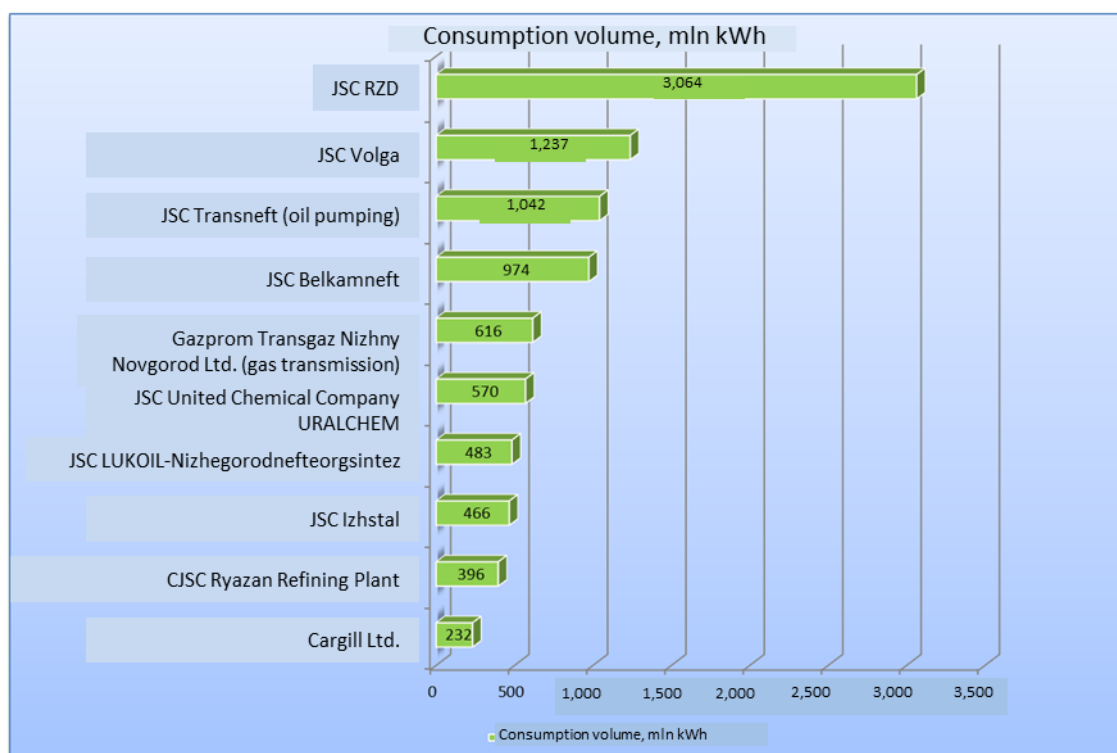
Indicator	Unit	IDGC total	Vladimir energo	Ivenergo	Kaluga energo	Kirovenergo	Marienergo	Nizhnov energo	Ryazan energo	Tulenergo	Udmurten ergo
Number of 35 kV and higher SS	pcs.	1,552	141	141	154	224	88	260	153	171	220
Total transformer capacity of 35 kV and higher SS	thous. MVA	29.96	3.44	2.64	3.12	2.94	1.12	5.33	3.45	4.19	3.72
Number of TSS of 6-35/0.4 kV	pcs.	62,028	4,870	3,825	6,830	8,967	3,022	14,764	6,011	7,696	6,043
Number of DSS of 6-10 kV	pcs.	572	4	6	65	17	11	234	43	172	20
Length of power transmission line circuits	thous. km	270.07	22.66	15.41	28.82	39.06	12.54	61.29	31.46	32.83	25.99
Power grids volume	thous. conv. units	1,525.14	129.1	87.26	160.71	201.10	75.74	398.94	147.86	175.60	148.83

Largest Generating Companies of the Company's Footprint

Generating company	Company branches	Power plant	Installed capacity, MW	Location
JSC T Plus	Ivenergo, Vladimirenergo, Nizhnovenergo, Kirovenergo, Udmurtenenergo	Ivanovskaya CHPP-3	330	Ivanovo
		Vladimirskaya CHPP-2	596	Vladimir
		Novogorkovskaya CHPP	548.3	Kstovo, Nizhny Novgorod Region
		Sormovskaya CHPP	350	Nizhny Novgorod
		Dzerzhinskaya CHPP	580	Dzerzhinsk, Nizhny Novgorod Region
		Kirovskaya CHPP-3	385	Kirovo-Chepetsk, Kirov Region
		Kirovskaya CHPP-4	353	Kirov
		Izhevskaya CHPP-1	290	Izhevsk
		Izhevskaya CHPP-2	390	Izhevsk
JSC Volga	Nizhnovenergo	Nizhegorodskaya SDPP	112	Balakhna, Nizhny Novgorod Region
Municipal Unitary Enterprise Yoshkar-Olinskaya CHPP-1	Marienergo	Yoshkar-Olinskaya CHPP-1	3.5	Yoshkar-Ola
EuroSibEnergo	Nizhnovenergo	Avtozavodskaya CHPP Ltd.	580	Nizhny Novgorod
JSC Kvadra	Ryazanenergo, Tulenergo, Kalugaenergo	Dyagilevskaya CHPP	110	Ryazan
		Novomoskovskaya SDPP	416	Novomoskovsk, Tula Region
		Kaluzhskaya CHPP-1	41.8	Kaluga
		Aleksinskaya CHPP	102	Aleksin, Tula Region
		Yefremovskaya CHPP	160	Yefremov, Tula Region
JSCINTER RAO – Electric Power Plants	Tulenergo	Cherepetskaya SDPP	1,510	Suvorov, Tula Region
JSC WGC-2	Ryazanenergo	Ryazanskaya SDPP	3,070	Novomichurinsk, Ryazan Region
Ivanovskiye CCGTs branch of JSC INTER RAO UES	Ivenergo	Ivanovskiye CCGTs branch of JSC INTER RAO UES	325	Komsomolsk, Ivanovo Region
Novoryazanskaya CHPP Ltd.	Ryazanenergo	Novoryazanskaya CHPP	425	Ryazan
JSC RusHydro	Nizhnovenergo	Nizhegorodskaya HPP	520	Zavolzhye, Nizhny Novgorod Region
Mezhregionenergосervis Ltd.	Tulenergo	Shchekinskaya SDPP	400	Sovetsk, Tula Region

List of Large Power Consumers

Branch	Consumer	Consumption volume, mln kWh	Share of the Company's productive supply, %
Vladimirenergo, Kalugaenergo, Kirovenergo, Nizhnovenergo, Ryazanenergo, Tulenergo, Udmurtenergo	JSC RZD	3,064	6%
Nizhnovenergo	JSC Volga	1,237	3%
Vladimirenergo, Ivenergo, Kirovenergo, Marienergo, Nizhnovenergo, Ryazanenergo, Udmurtenergo	JSC Transneft (oil pumping)	1,042	2%
Udmurtenergo	JSC Belkamneft	974	2%
Nizhnovenergo, Marienergo	Gazprom Transgaz Nizhny Novgorod Ltd. (gas transmission)	616	1%
Kirovenergo	JSC United Chemical Company URALCHEM	570	1%
Nizhnovenergo	JSC LUKOIL-Nizhegorodnefteorgsintez	483	1%
Udmurtenergo	JSC Izhstal	466	1%
Ryazanenergo	CJSC Ryazan Refining Plant	396	1%
Tulenergo	Cargill Ltd.	232	0.5%



Technical Parameters by Branch

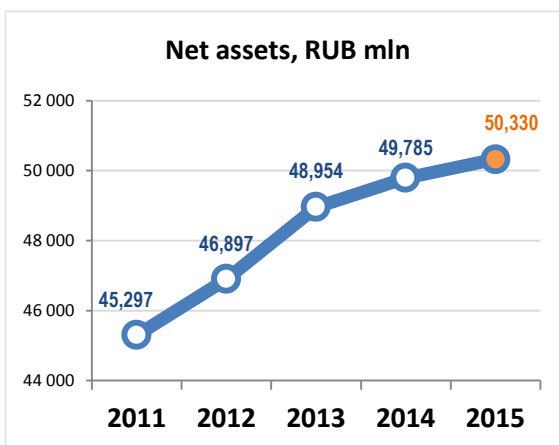
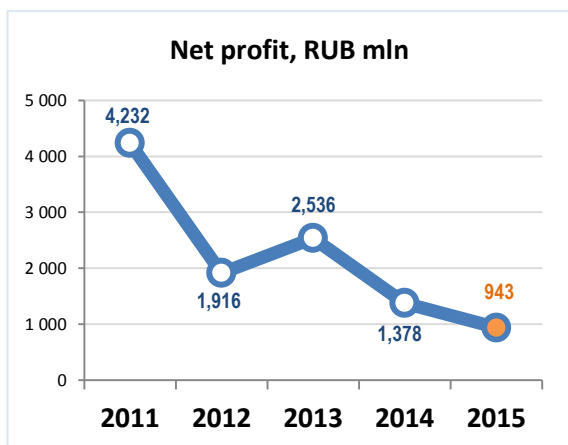
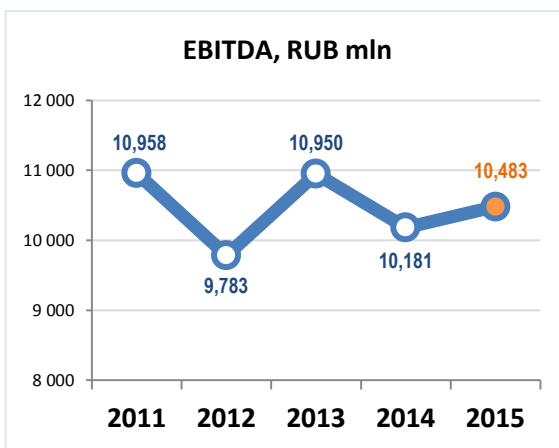
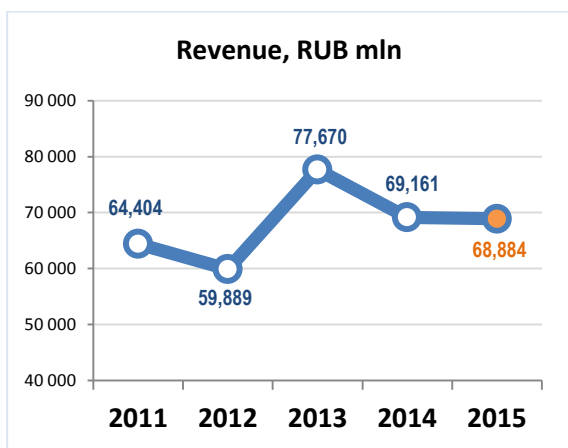
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Power grids volume	thous. conv. units	1,525.14	129.10	87.26	160.71	201.10	75.74	398.94	147.86	175.60	148.83

Key Financial and Economic Indicators in 2011–2015

Indicator	2011	2012	2013	2014	2015	Change 2015/2014	
						absolute	relative
Revenue, RUB mln	64,404	59,889	77,670	69,161	68,884	-277	-0.4%
Net profit, RUB mln	4,232	1,916	2,536	1,378	943	-435	-31.6%
Profit per share, RUB	0.0376	0.0170	0.0225	0.0122	0.0084	-0.0038	-31.1%
EBITDA, RUB mln	10,958	9,783	10,950	10,181	10,483	+302	+3.0%
Profitability on EBITDA, %	17.02%	16.33%	14.10%	14.72%	15.22%	+0.5 p.p.	+3.4%
Capital investments, RUB mln	11,510	9,831	9,577	8,025	5,173	-2,852	-35.5%
Debt, RUB mln	23,148	24,335	23,276	26,816	24,770	-2,046	-7.6%
Debt/EBITDA ratio	2.11	2.49	2.13	2.63	2.36	-0.27	-10.3%
Net assets, RUB mln	45,297	46,897	48,954	49,785	50,330	+545	+1.1%
Dividend per share, RUB	0.00280	0.00425	0.00563	0.0031	-	-	-
Capitalization, RUB mln	16,581	19,363	7,580	11,991	7,066	-4,925	-41
Weighted average share price at year end, RUB/pcs.	0.14713	0.1718	0.0673	0.1064	0.0627	-0.0437	-41

*The decision on the amount of dividend allocated for 2015 is to be made by the General Shareholders Meeting in 2016.

Dynamics of Key Financial and Economic Indicators



The reduction in **revenue** in 2015 was due to the fact that the Company had ceased to perform the POLR (provider of last resort) functions in the territory of the Ivanovo Region.

The reduction in income accompanied by an increase in costs in the context of relatively high inflation and fund raising rates caused the decrease in **net profit**. Nevertheless, the **EBITDA** value increased.

The Company's net assets were continuously growing; their value had grown by RUB 5,033 mln, or 11 %, over 5 years.

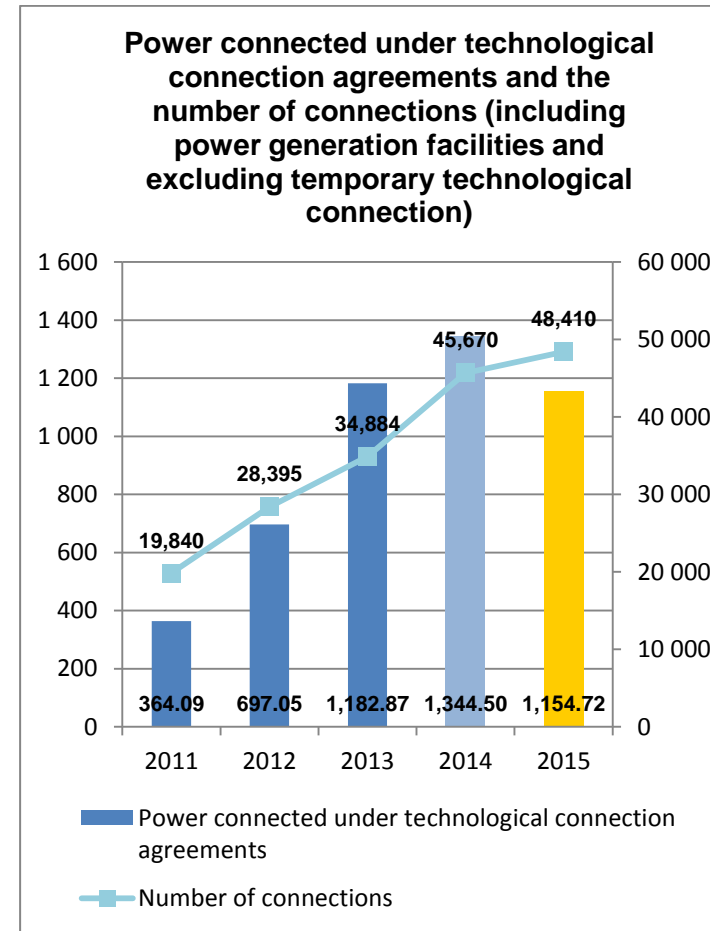
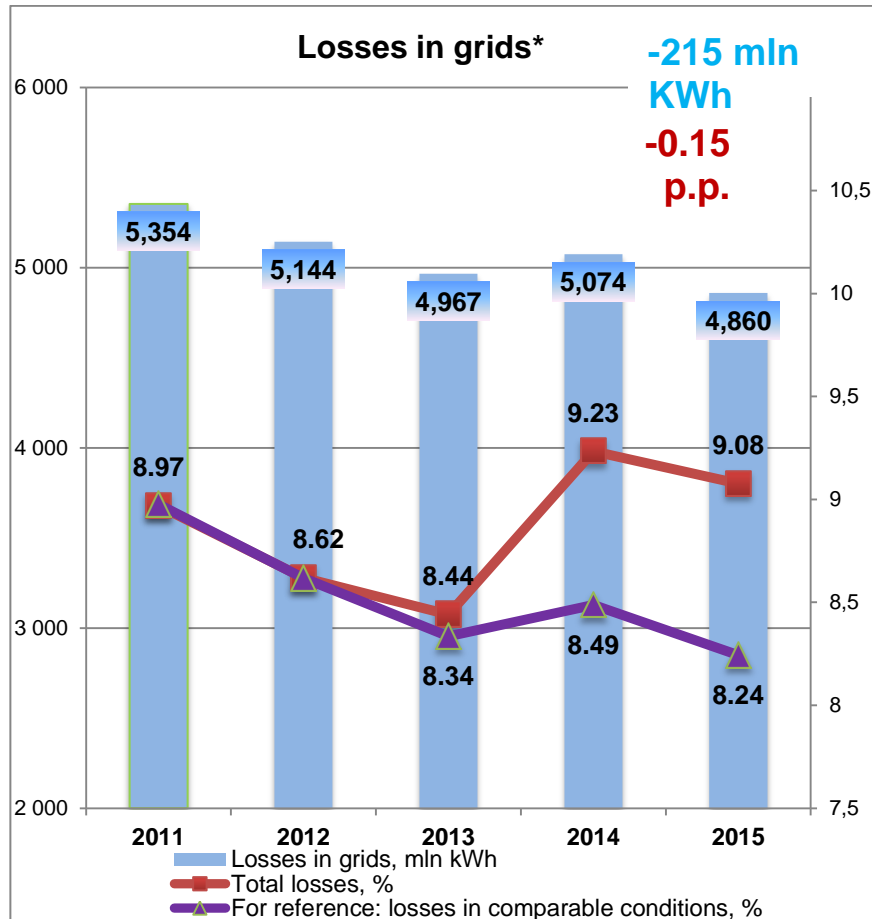
The positive dynamics of net assets were due to the growth of the Company's undistributed profit.

Production Performance in 2011–2015

Indicator	Unit	2011	2012	2013	2014	2015	2015/2014 (absolute increase)	2015/2014 (relative increase), %
Number of 35 kV and higher SS	pcs.	1,548	1,550	1,551	1,552	1,552	0	0
Capacity of 35 kV and higher SS	thous. MVA	29.35	29.47	29.67	29.82	29.96	0.14	0.5
Number of TSS (DSS) of 6-35/0.4 kV	pcs.	59,621	60,677	61,460	62,149	62,600	451	0.7
Length of power transmission line circuits, networks	km	263,391	265,477	267,260	268,944	270,067	1,123	0.4
Length of power transmission line circuits, routes	km	253,106	255,068	256,816	258,408	259,461	1,053	0.4
Output to grid	mln kWh	59,653	59,683	58,848	54,956	53,535	-1,421	-2.59
Productive supply	mln kWh	54,299	54,539	53,881	49,882	48,676	-1,206	-2.42
Total losses	mln kWh	5,354	5,144	4,967	5,074	4,860	-215	-4.23
Total losses	%	8.97%	8.62%	8.44%	9.23%	9.08%	-0.15%	
Power connected under technological connection agreements	MW	364.09	697.05	1,182.87	1,344.50	1,154.72	-189.78	-14.12
Number of electric grids employees (payroll)	pers.	22,269	23,334	24,168	22,931	22,824	-107	-0.5

* Power connected under technological connection agreements including generation facilities (without temporary technological connection).

Dynamics of Production Performance in 2011-2015



2015/2014
-215 mln kWh
-0.15 p.p.

*The Company's regions of operations kept changing during the above-mentioned five-year period owing to gradual termination of last mile lease contracts with JSC FGC UES. The largest power volume (2,273 mln kWh) was excluded from the balance as of January 1, 2014. Moreover, deterioration of general macroeconomic situation in Russia since 2014 resulted in a significant decrease in power consumption by large industrial enterprises usually connected to substation busbars, and this had a considerable effect on the growth of losses. These were the key factors. In 2014 they caused an upswing in the level of losses to 9.23% to grid output as compared to previous periods. Moreover, in 2015 a number of large consumers reduced their power consumption. In this connection, the production performance indicators have been made comparable in terms of last mile and level of consumption by large consumers (for reference only).

Investment Attractiveness of the Company

Regions of operations with solvent demand	<p>The Company operates in economically stable regions accommodating approximately 10% of Russian population.</p> <p>The regions of operations are characterized by stable volume of the gross regional product, which involves permanent demand for power.</p> <p>In 2015, the volume of connected capacity (without generation and temporary technological connection) grew by 5% (to 1,065 MW).</p>
Experienced team of professionals	<p>A powerful management team.</p> <p>Experience of the Company's General Director in power industry is 28 years.</p>
Favorable regulatory conditions	<p>The regulation is based on the RAB method.</p> <p>Since 2011, all the Company branches have been using the RAB tariff regulation.</p> <p>Long-term performance parameters of the Company branches, including rate of return on invested capital, have been set up to 2017.</p> <p>The guaranteed return on new investment was 12% in 2010–2012 and is 11% for 2013–2017.</p>
Stable financial indicators	<p>In 2015, EBITDA increased by 3% (to RUB 10.5 bln), net assets increased by 1.1% (to RUB 50.3 bln) year on year.</p> <p>Debt/EBITDA ratio as of December 31, 2015 was 2.36.</p> <p>The average dividend income in 2010-2014 was 3.2%*.</p>
High efficiency of the Company's activities	<p>Decrease in operating expenses per unit of service of electrotechnical equipment in 2015 was 16.4% after allowing for inflation as compared to the level of 2012.</p> <p>Growth potential of the Company's shares amounted to +27.6%** of the market price as of December 31, 2015.</p>
Transparent model of mutual settlements for power transmission – “boiler on top”	<p>This model of settlements provides for income of payments for power transfer services to the largest TGO – boiler holder, which, in its turn, carries out mutual settlements with other territorial grid organizations. The scheme increases transparency of cash flows among market players, and creates necessary guarantees both for grid organizations and consumers of the services.</p> <p>In 2015, in 7 out of 9 regions, the Company branches were boiler holders (with the exception of the Ivanovo Region and the Udmurt Republic, where a “mixed boiler” model was adopted).</p>
Company development potential is stipulated by the current	<p>New fixed assets to be invested in 2016-2020 in accordance with the approved investment program (Order of Russian Ministry of</p>

investment program Energy No. 953 dated December 14, 2015) shall amount to **RUB 40,247.3 mln.** The Company is planning to build and renovate **11,892.8 km** of grids and to carry out input of transformer capacity of **2,643.2 MVA.**

Stable credit rating In 2012, the Company first acquired **Ba2 rating** from Moody's Investors Service, **with a "stable" outlook.** Moreover, Moody's Interfax Rating Agency assigned Aa2.ru rating to the Company on the national scale.

On March 25, 2015, the agency confirmed the international rating at the Ba2 level. The rating outlook was "negative".

On December 7, 2015, the international rating was confirmed at the Ba2 level with the outlook changed to "stable".

**Calculated in accordance with the formula: dividend for the year/share price as of the year end.*

***Investment analysts' consensus projections exceeded the weighted average price of the Company shares at MICEX.*

Largest Projects of Construction and Renovation Commissioned in 2015

Branch	Commissioning date (month)	Facility name	Facility location (settlement)	Installed capacity (km, MVA)
Kalugaenergo	December	Construction of 110 kV SS Kolosovo and double-circuit-110 kV overhead line Sozvezdie-Kolosovo	Kaluga Region Vorsino	126 MVA/10.44 km
Ivenergo	October	Renovation of 35-110 kV SS with replacement of a group of single-phase transformers GT-2 at 110/35/6 SS Yuzha (manufactured in 1947).	Ivanovo Region, Yuzhsky District	16 MVA
Nizhnovenergo	November	110/6 kV SS Kozhevnaya	Nizhny Novgorod Region, Bogorodsk District	25.63 MVA
Tulenergo	November	Comprehensive renovation of 110/10/6 kV SS Oktyabrskaya with replacement of 2x25 MVA power transformers by 2x40 MVA ones.	Tula	40 MVA
Tulenergo	September	UES - Renovation of 110 kV overhead line Zvezda-Begichevo and the 110 kV overhead line Zvezda-Volovo	Tula Region, Volovo and Yefremov Districts	13.29 km

Liability Limitation

The present Annual Report of PJSC IDGC of Center and Volga Region for 2015 (hereinafter referred to as the Annual Report) has been prepared on the basis of information available to the Company at the moment of preparation of the Annual Report.

The Annual Report contains information on the results of 2015, as well as forward-looking statements and declarations concerning intentions, opinions and current expectations of the Company in regard of the results of the Company activities, its financial condition, liquidity, growth prospects, strategy and the development of the industry the Company is engaged in. Due to their nature, such forward-looking statements are characterized by the presence of risks and uncertainty factors, as far as they pertain to the events and depend on the circumstances which are not necessarily to happen in the future.

The words “intends”, “strives”, “expects”, “assesses”, “plans”, “considers”, “assumes”, “can”, “should”, “would”, “will continue” and the like are generally used to indicate the forward-looking nature of statements and may suggest the risk of non-occurrence of events or actions specified, depending on a variety of factors.

The Company warns that the forward-looking statements do not guarantee future results. Actual results of the activity of the Company, its financial condition and liquidity, as well as the development of the industry of which the Company is a member, may differ considerably from those presented in the forward-looking statements herein. Besides, even if said values correspond to the pro-forma statements contained in this Annual Report, they are not indicative of similar results and events in the future.

The Company does not give any direct or supposed assurances and guarantees and does not bear any responsibility in case of losses which can be incurred by natural persons or legal entities as a result of using the forward-looking statements of this Annual Report by any reason, directly or indirectly. The specified persons should not rely on the forward-looking statements contained in the Annual report, as they are not the unique possible succession of events.

Except in cases stipulated by the law, the Company shall not be obliged to re-consider or confirm its expectations or assessments, or to publish updates and changes of the forward-looking statements contained in the Annual Report in connection with subsequent events or the receipt of new data.

Address to Shareholders

Dear Shareholders!

In 2015, work of the Company's Board of Directors was focused on creation of conditions needed to achieve the Company's strategic goals – provision of reliable and high-quality power supply to Russian consumers and formation of the basis for further strengthening of power infrastructure.

In 2015, PJSC IDGC of Center and Volga Region forming part of Russian Grids Group again demonstrated reliable work of power systems in all 9 regions of operations. Despite difficult macroeconomic conditions, the Company reported stable development, financial sustainability and responsible attitude to its investors and shareholders.

Due to anti-crisis measures taken by the grid operator management and well-defined priorities, PJSC IDGC of Center and Volga Region fulfilled all of its financial obligations in time. A structured approach to our work allowed us to execute the plans for the power company development.

In December 2015, Moody's Investors Service published a statement confirming the long-term credit rating of PJSC IDGC of Center and Volga Region at the Ba2 level with the "stable" outlook (on the international scale).

Even in the context of economic downturn and poor repayment discipline of counterparties, the Company closed the year in the black. The revenue of PJSC IDGC of Center and Volga Region for 2015 was RUB 68.9 bln, the gross profit – RUB 6.1 bln.

In 2015, the Company's Board of Directors held 34 meetings and discussed more than 300 issues that were relevant to strategic development of the power grid industry.

In 2015, following the decision of the Annual General Shareholders Meeting, the Company paid dividends on its common shares (at the end of 2014) totaling RUB 349,363,000 (25.35% of the net profit) and the undistributed profit was allocated for development of the grid operator.

In order to reduce the Company's expenses, to improve reliability and efficiency of its work, PJSC IDGC of Center and Volga Region implemented a set of measures with a view to improving reliability of equipment, reducing energy losses during its transmission and decreasing own power consumption for operational and commercial needs.

In 2015, considerable efforts were made to maintain the required level of integrated safety and security of power engineering facilities and to reduce risks of economic damage caused by third parties. The Company fulfills all the federal legislative requirements regarding safe operation and protection of power engineering facilities and electricity-generating equipment.

In 2016, we will strive to make the power grid complex of Center and Volga Region even more hi-tech, efficient and economically attractive to the investment community.

The successful development of the Company in 2016 should be based on ongoing active interaction between the Company management and shareholders. I am confident that PJSC IDGC of Center and Volga Region will successfully solve all of its challenges.

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

A.N. Fadeyev

Dear Shareholders!

In 2015, PJSC IDGC of Center and Volga Region **worked** in difficult macroeconomic conditions. Nevertheless, we managed to cope with new challenges and to ensure accurate execution of the Company's tasks. As before, we ensured the stable development of the power grid infrastructure in our regions of presence and reliable power supply to our consumers.

In view of the current economic climate, the Company showed good financial results at the end of 2015. Its net profit according to RAS was RUB 943 mln.

In 2015, we completed a number of significant projects focused on efficient development of the power grid infrastructure and power supply to new public and production facilities. Our capital investments in 2015 amounted to RUB 5.1 bln. The Company commissioned over 350 MVA of transformer capacities and over 2,400 km of power transmission lines. The largest and the most significant projects were implemented in Kaluga, Tula and Nizhny Novgorod Regions. Renovation and re-equipment of existing power facilities, as well as construction of new ones allowed us to improve the reliability and quality of power supply and to reduce power shortages of power suppliers.

We performed all the planned works focused on repairing the power grid complex in a timely manner. We completed repairs of over 200 35-110 kV substations and a major overhaul of over 7,700 6-10/0.4 kV transformer substations. We repaired over 29,000 km of 0.4-10 kV lines and over 5,800 km of 35-110 kV power transmission lines.

In the reporting year, due to successful implementation of the program for energy saving and energy efficiency improvement, we managed to reduce our energy losses by 0.16 percentage points (as compared to 2014). The cumulative effect of the program implementation was 215 mln kWh (over RUB 250 mln).

In 2015, we connected over 48,000 consumers to the Company grids. The total power under executed contracts for technological connection was 1,064 MW. As compared to 2014, the volume of executed contracts and connected power of consumers increased by 6%.

Due to introduction of advanced IT solutions, we improved the Company's client service and this allowed us to ensure information and grid availability for all social groups, small and medium enterprises, and large investors.

We improved professional skills of the Company's specialists. By year end more than 11,829 employees (53%) had received training. The Company developed and has been successfully implementing social programs providing for various types of benefits, allowances and compensatory payments for employees. A collective agreement was concluded between the employer and its employees.

In 2015, we made responsible and important decisions for the sake of development of PJSC IDGC of Center and Volga Region and I would like to thank our colleagues, partners and shareholders for their trust, support and efforts.

In 2016, reliability of power supply in all regions of our presence and stable development of the entire power grid industry are still the main priorities in our work. I am confident that together we can achieve maximum financial and economic, engineering and manufacturing, and management results, protecting the interests of our shareholders, clients and the Company as a whole.

Yours sincerely,

**General Director
of PJSC IDGC of Center and Volga Region**

E.V. Ushakov

Calendar of Events and Achievements in 2015

January

The management system of PJSC IDGC of Center and Volga Region was again declared complying with international standards.

In 2014, within the framework of development and improvement of the integrated management system, PJSC IDGC of Center and Volga Region underwent certification audit. The Company confirmed that its processes related to management, power transmission and distribution services, and technological connection of consumers are in compliance with international standards ISO 9001:2008, ISO 14001:2004, OHSAS 18001:2007, ISO 50001:2011 and extended certification to all the Company branches.

Independent auditors conducted a thorough check of management and production activities of the executive body and branches of the Company. They assessed all aspects of PJSC IDGC of Center and Volga Region activities: system of processes, management of resources, investment activities, personnel management, planning, internal control systems, organization of work with consumers, etc.

As a result, the certification audit showed that the Company management complied with all international standards.

February

PJSC IDGC of Center and Volga Region took part in the All-Russian Start-up Tour 2015

The Company was a regional partner in a large-scale project focused on search for promising innovative solutions in demand on hi-tech markets. The event was organized by the Skolkovo Foundation in partnership with PJSC Russian Grids and executive authorities of Russian regions.

On February 17, in the course of the first day of the third stage of the All-Russian Start-up Tour held in Nizhny Novgorod, senior officials and engineering representatives of PJSC IDGC of Center and Volga Region welcomed the competition participants and took part in meetings of expert panels dedicated to comprehensive discussion of development and application of innovative technologies and equipment.

March

Flood season did not affect reliable operation of the Company's power grid complex

A set of technical and organizational measures focused on preparation for the 2015 spring flood period allowed PJSC IDGC of Center and Volga Region to ensure uninterrupted work of power equipment and reliable power supply to consumers during the massive snow melt and flood season.

Emergency prevention and recovery are within the competence of flood committees established within the Company.

April

PJSC IDGC of Center and Volga Region summarized the results of the 2014-2015 autumn and winter season.

PJSC IDGC of Center and Volga Region closed the 2014-2015 autumn and winter period successfully, all the branches ensured high-quality and seamless power supply to consumers and there were no serious violations in the equipment work. In spite of severe weather conditions, there were no serious disturbances in work of the power grid complex of PJSC IDGC of Center and Volga Region during the last autumn and winter season. In general, year on year, the number of failures in the 110 kV and higher network decreased almost by one third, the average duration of electric power system

disturbances connected with interruptions in power supply to consumers was reduced by 14% – from 4.05 to 3.49 hours.

May

PJSC IDGC of Center and Volga Region created a unique almanac "Keep in Perpetuity"

Power engineers of PJSC IDGC of Center and Volga Region created a unique project dedicated to the 70th anniversary of the Great Victory – an electronic almanac consisting of archive documents, photos and memoirs of veterans of World War II and power engineering, who worked for power systems of the nine regions which today form the catchment area of PJSC IDGC of Center and Volga Region. The book "Keep in Perpetuity" is available on the corporate website of the Company in the section "Light of the Great Victory".

June

PJSC IDGC of Center and Volga Region joined the Anti-Corruption Charter of the Russian Business.

The Company officially joined the ranks of the largest Russian companies resolved to comply with high business standards corresponding to international norms and form responsible partnership with the state focused on improving the standard of living of Russian citizens, developing the Russian economy and enhancing its competitiveness by preventing corrupt practices.

July

Quick recovery from a natural disaster in the Kaluga Region

In the evening and night of July 27, the region saw heavy rains, which flooded houses, washed out roads and were accompanied with squally winds and hail (in some areas). Supports of power transmission lines being hit by lightning, entanglement, breaks of wires, breakage of supports due to strong wind and foreign objects falling on power transmission lines caused some interruptions in operation of the power grids in the Kaluga Region settlements.

After receiving information about an emergency in the power grid complex of the region, the headquarters of PJSC IDGC of Center and Volga Region and the Kalugaenergo branch held emergency meetings and organized interaction with allied power grid organizations, district administrations, executive authorities and EMERCOM.

Following the decision of the headquarters of PJSC IDGC of Center and Volga Region, which controlled the progress of recovery works on a 24/7 basis, other branches of the Company were promptly involved to help the Kaluga Region power engineers. Moreover, professional competition of 35-110 kV HVL servicing teams held in the Tula Region was suspended.

The Company's best cablemen went to the Kaluga Region right from the training ranges.

August

Student construction brigades accomplished their work at the Company enterprises.

One hundred power engineering students from specialized higher and secondary educational establishments worked for PJSC IDGC of Center and Volga Region in the summer. In the reporting year, the Company formed 11 construction brigades. The construction brigades included third and fourth years specializing in power engineering from the largest Russian universities: National Research University "MPEI", Ivanovo State Power Engineering University, Vyatka State University, Nizhny Novgorod State Technical University n.a. R.E. Alekseyev, Vladimir State University n.a. A.G. and N.G. Stoletov, Mari State University, Ryazan State Radiotechnical University and Tula State University. The future specialists

worked at the Company's enterprises for 1.5 months. In the course of this work, students from all the 11 construction brigades gained professional skills in assemblage of power transmission line supports, laying cables, installation of power equipment and preparation of as-built documents. They were also able to assist in development of power facility sites.

Many members of the construction teams took part in highly demanding works playing an important role in improvement of reliability and quality of power supply to the regions.

September

PJSC IDGC of Center and Volga Region obtained a certificate of readiness for the autumn and winter season

The Commission, chaired by Dmitry Frolov, head of the State Energy Supervision Department of Federal Environmental, Industrial and Nuclear Supervision Service (Rostekhnadzor), certified that the Company had implemented measures for stable operation during the 2015-2016 autumn and winter peak load period in a timely and high-quality manner. The General Director of PJSC IDGC of Center and Volga Region Evgeny Ushakov was given a certificate of readiness for the autumn and winter season representing an official confirmation of high quality and full implementation of all the planned measures focused on improvement of power grid operation reliability in the context of low temperatures and peak loads.

October

Power engineers of PJSC IDGC of Center and Volga Region brushed up on their skills of real-time interaction in case of disaster recovery

The Company organized joint training for optimization of interaction between headquarters of PJSC IDGC of Center and Volga Region in case of recovery after power system disturbances at low temperatures focused on drilling of the use of control units and organization of video communication with accident recovery work locations. The headquarters of PJSC IDGC of Center and Volga Region and its branches, the Emergency Operations Center of the power company, System Control Centers of the branches and the Department for Operative, Technological and Situation Control of the Company took part in the training sessions. All the branches met all the training challenges without significant reservations. As was noted by the organizers, emergency actions had been repeatedly drilled throughout the year in the course of preparation for the peak load season.

Improvement of the immediate information transmission system and optimization of coordinated actions in real emergency situations will ensure more efficient response to any natural challenges and faster recovery of power supply.

November

PJSC IDGC of Center and Volga Region is in the Top-10 most efficient companies of Russia

The rating agency Interfax ERA published its regular rating of fundamental efficiency of 150 largest real-sector companies of Russia for 2014. PJSC IDGC of Center and Volga Region ranked 7th in this rating and therefore turned out to be one of the Top-10 largest Russian companies with the highest environmental, energy and process efficiency. Moreover, the company ranked second in the rating of environmental efficiency.

The rating covers 150 largest Russian companies. Ranking was based on five criteria: power-resource efficiency, process efficiency, environmental efficiency, efficiency dynamics and transparency of information disclosure.

The high position of PJSC IDGC of Center and Volga Region in the ranking is a result of systematic efforts to develop power grid infrastructure of the nine regions while preserving their ecosystems and biodiversity.

December

On the Power Engineer's Day, employees of PJSC IDGC of Center and Volga Region were given prestigious departmental awards

In connection with the professional holiday, the Power Engineer's Day, employees of the power grid company were nominated for departmental, industry and corporate awards.

1. Company Overview

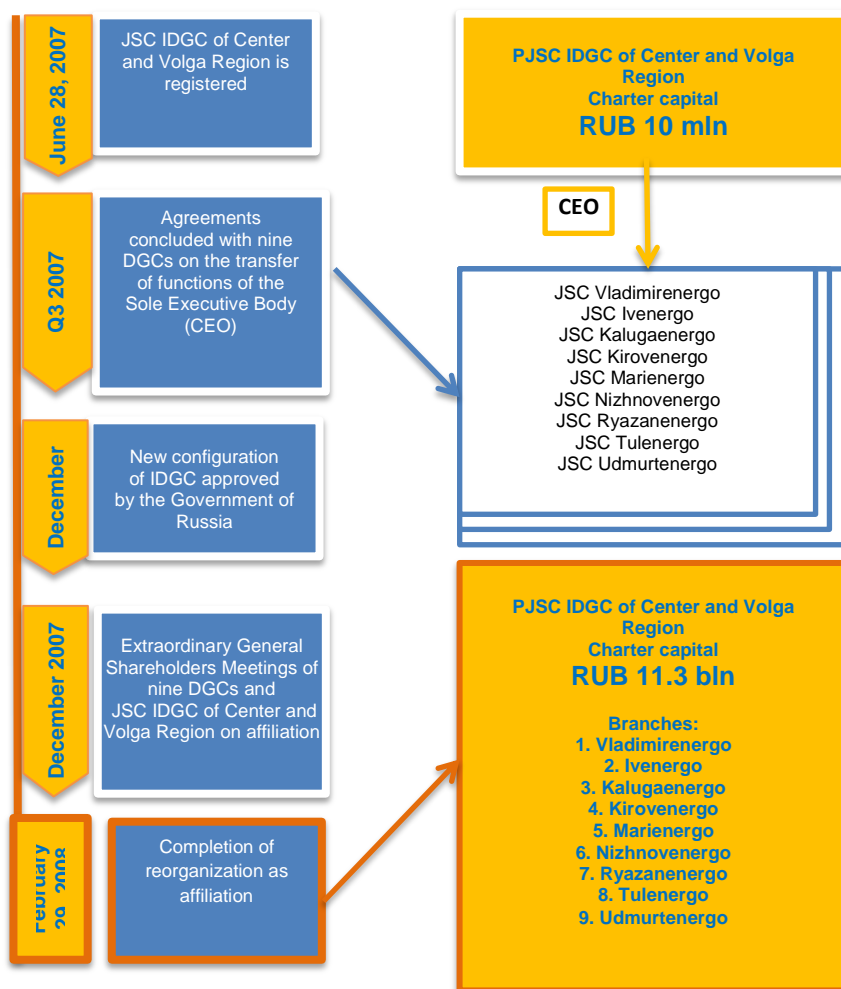
1.1. History of Industry and the Company

Key Stages of Industry Development

20th century	
	Formation of Russian electric power industry
Early 20 th century	A country-wide unified energy infrastructure was established.
1920s-1930s	Large-scale electrification of the country under the GOELRO plan adopted by the State Commission on the Electrification of Russia was performed accompanied by the construction of regional heat power and hydro-electric stations.
1930s	Major steps were taken to develop heavy and power industry, including the electricity distribution sector.
1940s	Post-war restoration of the destroyed electric power grid complex of the country was performed.
1960s	The Unified Power System was established, accompanied by implementation of major state-supported power projects, including developments in the field of nuclear power and construction of nuclear power stations.
	Privatization and reform
Late 1980s-	The signs of slowdown in the development of the industry began to show in, with the upgrade of production facilities lagging behind the electric power consumption growth.
1990s	The power industry was privatized, followed by the establishment of territorial power companies. JSC RAO UES of Russia was established to control 118 subsidiary and dependent companies, i.e. practically all electric power assets of the country.
Late 1990s-	The necessity for urgent large-scale transformations contributing to the upgrade of basic capacities, the increase in industry efficiency and the improvement of reliability and safety of consumer power supply became evident.
21st century	
Early 21 st century	<p>A reform of the industry was carried out. Aims and objectives of the reform were defined by Order No. 526 of the Government of the Russian Federation on Reforming the Power Industry of the Russian Federation dated July 11, 2001. The reform involved changes in the structure of the power industry, which included separation of naturally monopolistic (electric power transmission and operative dispatch control) and potentially competitive (production and sale of power, repair and service) functions. The vertically integrated companies which used to perform these functions were replaced by organizations specializing in selected activities. The companies were integrated by their activities and operations areas. The reorganization took place from 2001 to 2008.</p> <p>JSC RAO UES of Russia closed down on July 01, 2008.</p> <p>As a result of reorganization of JSC RAO UES of Russia, JSC IDGC Holding was spun off. It owns 50.4% of shares in JSC IDGC of Center and Volga Region and the controlling interest in more than ten interregional distribution grid companies and other subsidiary and dependent companies.</p> <p>In order to ensure a uniform approach to implementation of the technical policy and management principles of the power grid complex of the Russian Federation and to carry out a unified investment, financial, economic and human resources policy, the President of the Russian Federation signed Edict No. 1567 On Joint-Stock Company Russian Grids on November 22, 2012.</p> <p>In order to comply with this Edict, JSC IDGC Holding was renamed JSC Russian Grids in March 2013, the public share in the charter capital of JSC Russian Grids increased to 85.31% and JSC FGC UES became a subsidiary of JSC Russian Grids with the charter capital share of 80.13%.</p> <p><i>Details of power industry reforms are also available on the Company's website (www.mrsk-cp.ru) in the section "About the Company / Power Industry Reform" (http://www.mrsk-cp.ru/about/electric_power/reformirovanie-rsk/).</i></p>

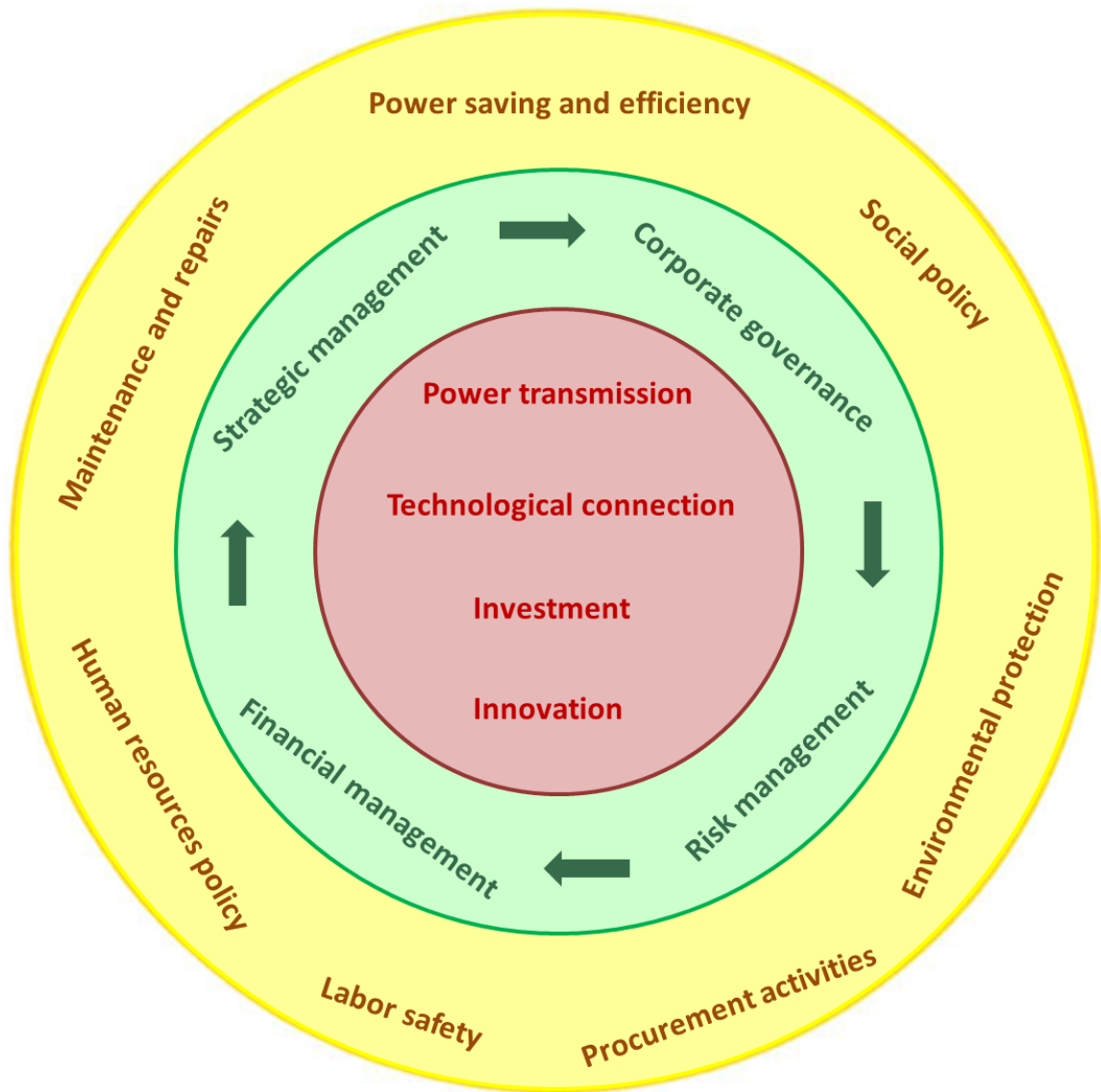
History of the Company

Establishment of PJSC IDGC of Center and Volga Region is an integral part of the reform of the Russian electric power industry.



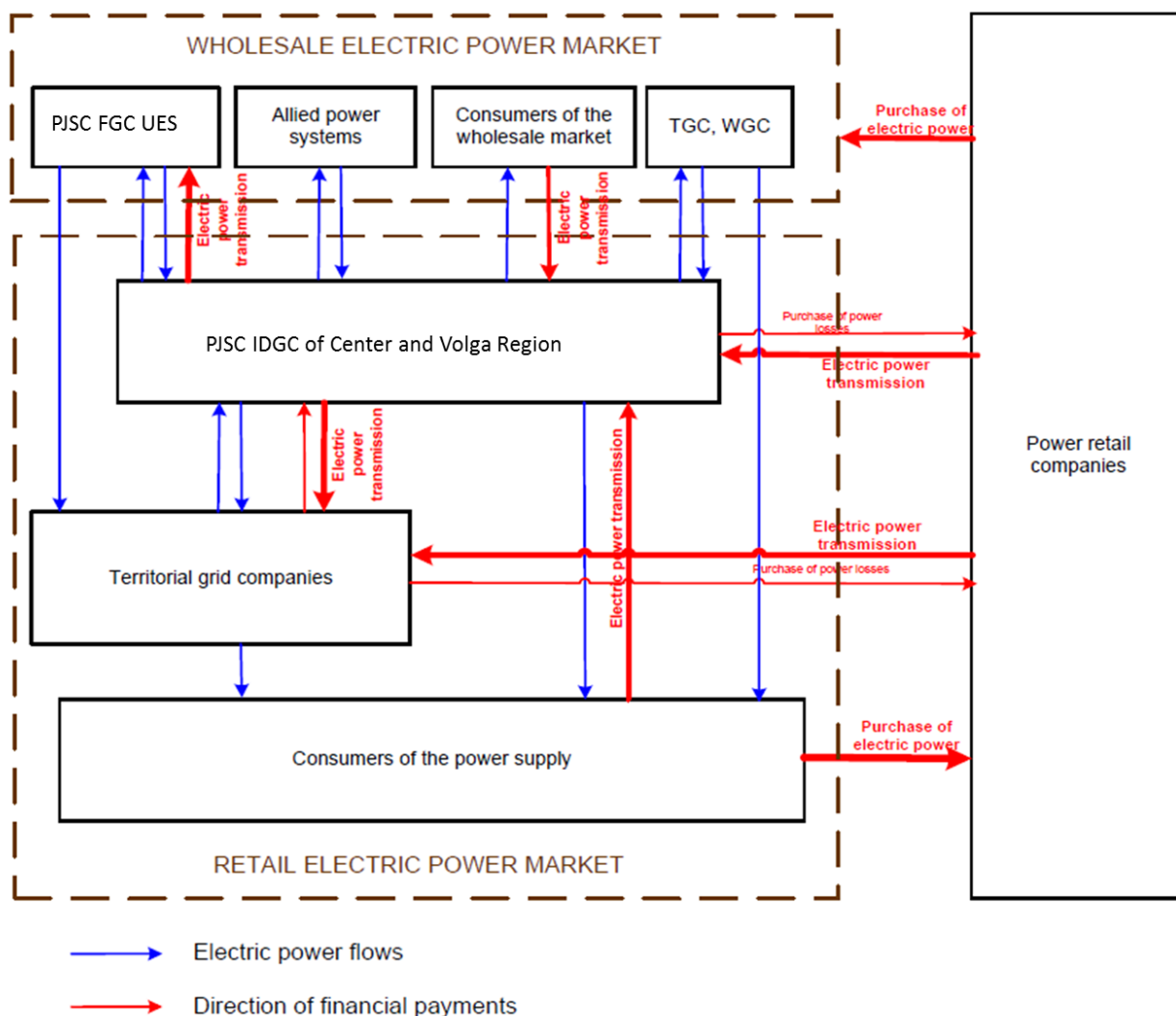
Details of power industry reforms are also available on the Company's website (www.mrsk-cp.ru) in the section "About the Company / Power Industry Reform" (<http://www.mrsk-cp.ru/en/about/history/>)

1.2. Business Model



	Core activities
	Management of activities
	Secondary activities

1.3. Position in the Industry and Operations



Today PJSC IDGC of Center and Volga Region is the largest grid organization in the regions of its presence. Its core business is transmission of power.

Industry Performance

Preliminary data at the end of 2015 shows that the previous year was not very favorable for the Russian economy. The country's GDP was negative and reduced by 3.7% compared to 2014. The continuing slump in oil prices and deteriorating global economic situation did not create conditions for economic growth. Reduction in consumer and investment demand was accompanied by high inflation at 12.9%. In the last two years inflation doubled – in 2011-2013 the annual average growth rate was only 6.4%.

In 2015 the industrial production index was 96.6% compared to 2014, while the sharpest reduction was observed in manufacturing (94.6%). Key factors of the slowdown in the industry include a reduction in consumer demand driven by a decrease in the real incomes of the

PJSC IDGC of Center and Volga Region is
the largest grid organization
 within its regional footprint. In 2015, the Company's share
 of the power transmission market was
76%,
 of the technological connection market –
90%.

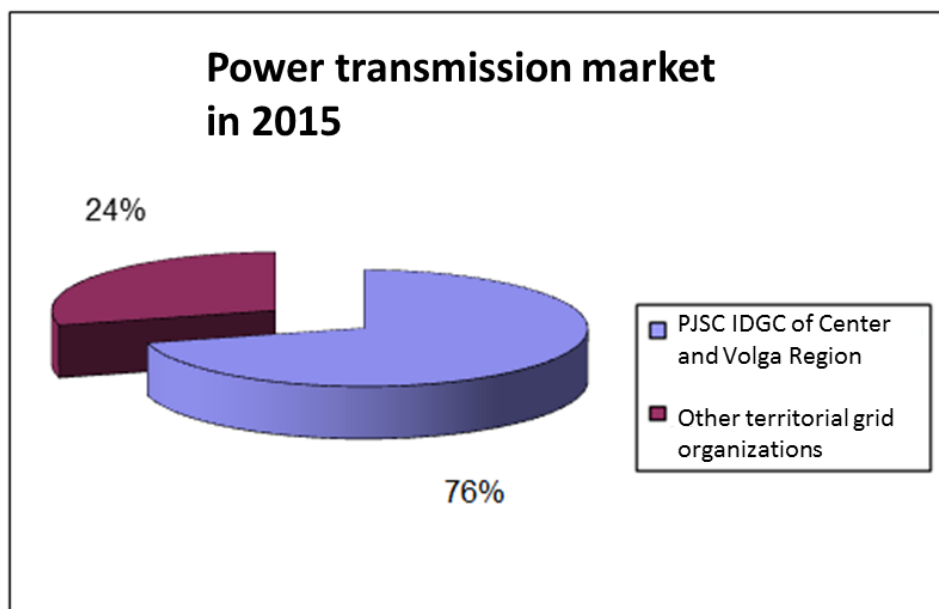
population, and limitation of funding sources (limited opportunities of Russian companies to borrow from foreign banks and high interest rates on loans in domestic banks).

The reduction in industrial production in the country became the main reason for the falling electricity consumption: according to the UES system operator, in 2015 total electricity consumption in Russia amounted to 1,036.4 bln kWh, which is 0.4% less than in 2014. The weather also had a negative impact on electricity consumption: in all three winter months of the previous year (January, February, December) the outside air temperature remained significantly higher than in the corresponding period in 2014.

Company's Market Share

PJSC IDGC of Center and Volga Region holds a domineering position in the market in the regions of its footprint, both in power transmission and in technological connection of consumers' power receivers to grids. The major share of power supplied to consumers passes along the grids owned by the Company.

The share of PJSC IDGC of Center and Volga Region in the power transmission market was 76% in 2015.



The market share was calculated based on the gross revenue requirement of the Company, its subsidiaries and TGOs (losses excluded) and on the total gross revenue requirement of grid organizations (losses excluded) taken into account at the stage of confirmation of unified boiler tariffs for the branches in 2015.

The major companies engaged in similar activities in the Company's regions of presence include the following territorial grid organizations:

- JSC Komenergo, Kirov
- Udmurtenergoneft, Izhevsk;
- Municipal Unitary Enterprise Izhevsk Power Grids;
- JSC Vladimir Region Electric Power Company, Vladimir;
- LLC Regional Distribution Grid Company, Kirov, Izhevsk
- Municipal Unitary Enterprise Ryazan Municipal Power Grids;

- JSC Tula Municipal Power Grids;
- JSC Russian Railways - in all regions of presence.

Consumers of Services

Services of PJSC IDGC of Center and Volga Region are meant for consumers in wholesale and retail markets – both legal entities and individuals, as well as for providers of last resort and retail companies (the main consumers) which deliver electricity to end-users. The Company cooperates with the following major retail companies (POLRs):

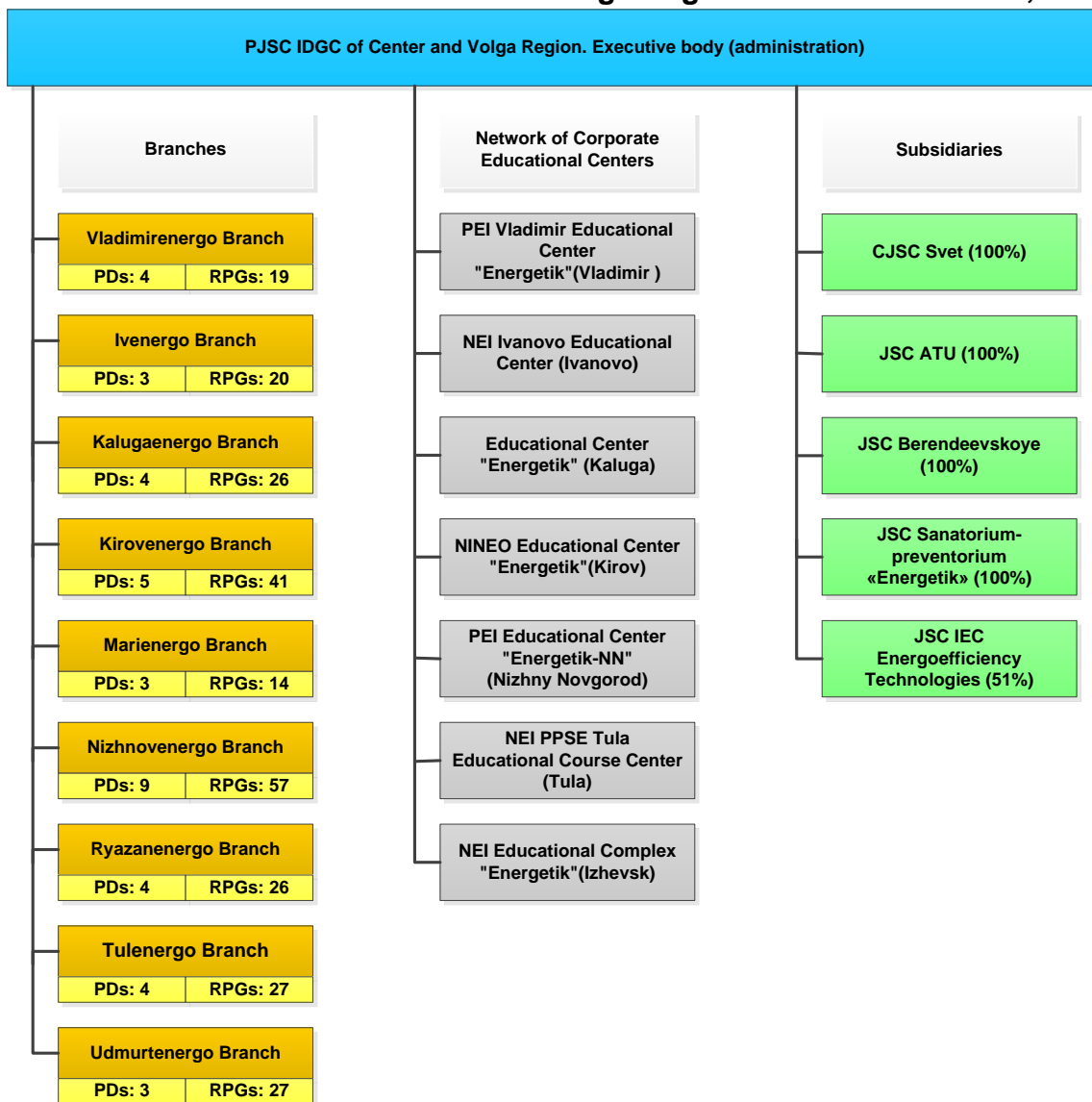
- PJSC Nizhny Novgorod TNS Energo
- JSC Tula TNS Energo
- JSC Kaluga Retail Company
- Kirov Branch of JSC Energosbyt Plus
- Udmurt Branch of JSC Energosbyt Plus
- PJSC Vladimirenergosbyt
- PJSC Ryazan Energy Retail Company
- PJSC Mari El TNS Energo
- LLC Rusenergosbyt in nine regions of operations
- LLC Rusenergoresurs in seven regions of operations
- JSC Mezhrefionenergosbyt in four regions of operations

The share of PJSC IDGC of Center and Volga Region in the technological connection market within its regional footprint is 90%.

91% of consumers of technological connection services are preferential customers (up to 15 kW). The number of applications from preferential customers in 2015 reduced by 8% compared to 2014.

1.4. Structure of the Company

Structure of PJSC IDGC of Center and Volga Region as of December 31, 2015



PD: Production departments
RPG: Regions of power grids

2. Strategy and Development Prospects

2.1. Strategic Priorities and Development Prospects

2.1.1. System of Values

Corporate values are based on experience and provide a basis for the Company's development.

➤ **Reliability and responsibility**

The Company is part of a single power system and provides life activity of seven regions and two republics of the Central and Volga Federal Districts round the clock. The Company is responsible to consumers, and decisions made by its employees are primarily based on the principle of reliable power supply to customers.

➤ **Client-oriented approach**

Economic development of the regions within the Company's footprint presupposes increased requirements of consumers to the level of service and quality. The Company is always oriented to the interests of consumers and strives to satisfy their needs.

➤ **Human resources. Teamwork**

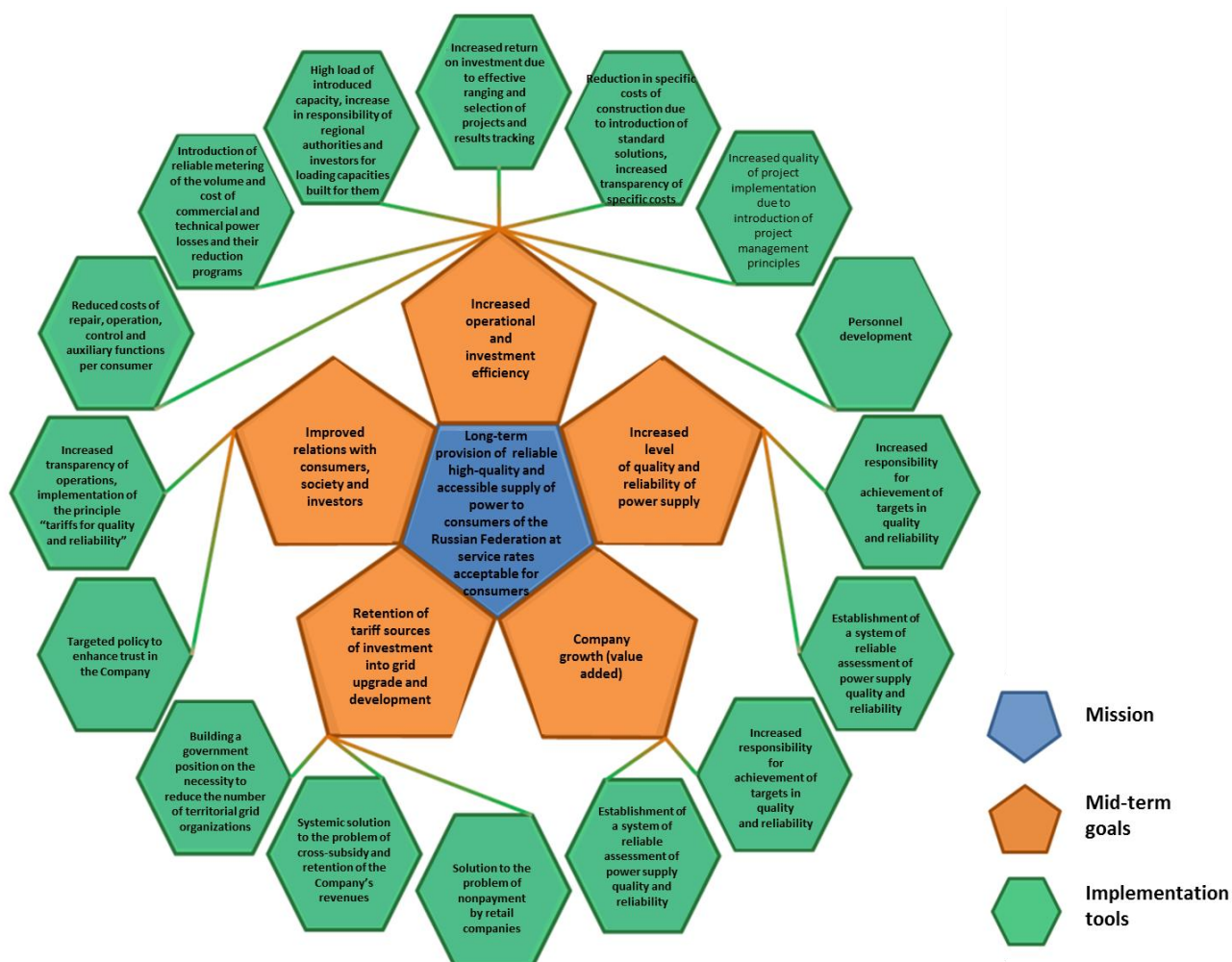
The priorities of PJSC IDGC of Center and Volga Region also include preservation and development of talent, creation of a unified, socially protected, creative and motivated team, improvement of working and leisure environment, as well as enhancement of occupational safety of workers. Professionalism, mentoring and involvement of employees in ongoing improvements are the Company's key advantages.

➤ **Social responsibility**

PJSC IDGC of Center and Volga Region is a socially responsible company which pays particular attention to labor protection, environmental protection and implementation of social programs.

The underlying principles of the Company are continuous performance improvement with a view to successful business development and growth of shareholders' and employees' welfare as well as responsibility of the Company to the country in terms of seamless power supply.

2.1.2. Mission, Goals and Tools of Their Achievement



2.1.3. Overview of Strategy Development

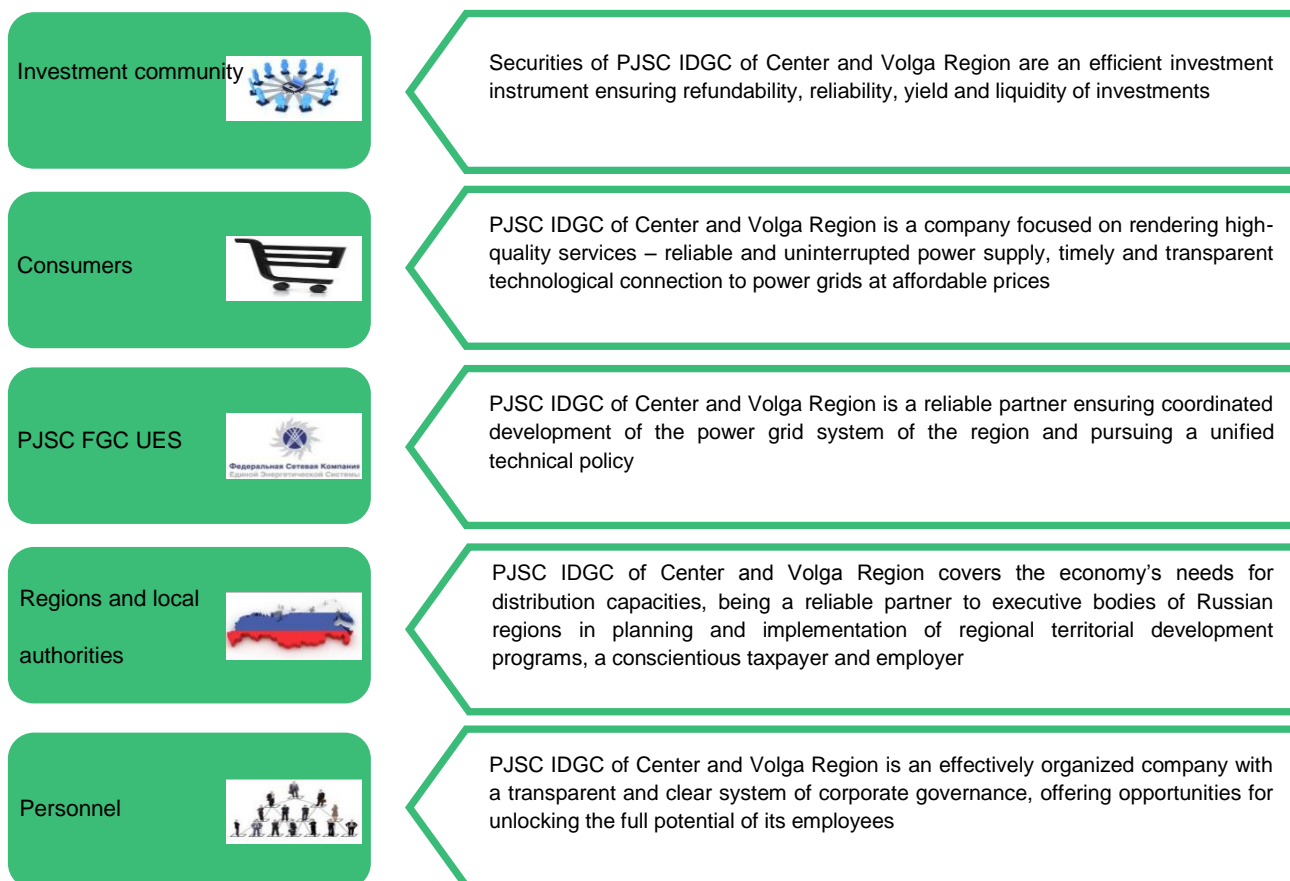
PJSC IDGC of Center and Volga Region forms part of the Russian power distribution grid system. The Company's key shareholder is PJSC Russian Grids, with the government's stake in its charter capital totaling 85.31%.

PJSC Russian Grids is an integrated managing company and an industry leader; it performs general industry tasks, establishes uniform standards of operation and ensures development and promotion of optimal mechanisms for industry regulation.

In accordance with the Decree of the Government of the Russian Federation No. 511-r dated April 3, 2013, a strategy for the development of Russia's power grid industry was approved (hereinafter – the PGI Strategy).

The main objective (mission) of the power grid industry in the PGI Strategy is long-term provision of reliable, high-quality and accessible power supply to Russian consumers by setting up the most efficient grid infrastructure in compliance with global standards on tariffs for electric power transmission, which will provide an acceptable cost level for the Russian economy and investment attractiveness of the industry.

PJSC IDGC of Center and Volga Region and expectations of key market participants



2.1.4. Targets

- **Improving reliability and quality of power supply to meet consumers' needs,** including:
 - improving customer service quality;
 - reducing undersupply of electric power;
 - reducing the cost of technological connection for small and medium-sized businesses.
- **Improving safety of power supply,** which involves reducing the total number of accidents, including undocumented accidents.
- **Improving performance of the power grid complex,** including:
 - increasing capacity utilization (as a percentage of installed capacity of transformers of all voltage levels less obligatory reservation);
 - reducing specific investment costs (in RUB per physical unit (km, MVA) by 30% as compared to 2012;
 - reducing inflation-adjusted operating costs per unit of power grid equipment by 15% by 2017 as compared to 2012;
 - reducing losses by 11% by 2017 as compared to 2012.

2.1.5. Management's Vision of the Short-Term Challenges Facing the Company

Sergey Andrus, Senior Deputy General Director, Chief Engineer of PJSC IDGC of Center and Volga Region:

"The Company's operation is based on the principle of providing reliable and high-quality power supply to consumers in the regions within the Company's footprint and this priority remains unchanged. For this purpose the Company implements a wide range of activities aimed at maintenance, reconstruction and technical upgrading of grid facilities and carries out active integration of cutting-edge scientific achievements of the industry into the distribution complex.

Upgrade of the power grid complex and creation of the new power grid infrastructure on the basis of large-scale re-equipment remain priorities for PJSC IDGC of Center and Volga Region.

The year 2015 was also important for power companies in terms of innovations – 3 patents were obtained for invention and one patent for a utility model. For the first time in Russia, a section of the innovative grid of the Nizhnovenergo Branch with the voltage of 0.95 kV was put into pilot operation. The use of the innovative grid helps increase reliability of the power grid complex, reduce costs related to technical maintenance of grids, minimize the loss of electricity and the impact of production processes on the environment. The program of innovative development of the grid complex infrastructure has been actively implemented in the power company since 2011. Now the Company owns 26 patents and certificates for innovative devices, software systems and grids diagnostic systems. These developments will be put into operation at the power facilities, which will enable us to increase reliability of power supply to consumers at a higher level.

Another important task for the power company is connection of new consumers to electric grids, reliability of power supply and quality of rendered services. For the purpose of developing the power grid complex and ensuring availability of technological connection we are constantly carrying out works to increase supply points capacity, which is reinforced on the basis of actual power load, i.e. the actual need for technological connection.

By the end of 2015, the Company had signed 51,603 technological connection agreements with a total capacity of 1,323 MW, including 48,491 agreements with preferential applicants of up to 15 kW (94% of the total number of agreements). The average time from receiving the application to making out the act of technological connection to grids has been reduced to 89 days.

In the field of customer relations, the Company focused on active implementation of the latest information technologies such as 'Online Reception' and 'Personal Account' (where the user can submit an application and track its processing), online questionnaires and feedback – these are stages of integrated implementation of the Company's strategy. Information and online services are provided to all social groups: the population, small and medium-sized businesses and large investors.

As a result, the number of consumer's visits to the power company in the process of technological connection implementation was reduced from four times in 2014 to three times in 2015. The number of online applications tripled (to 6,650 applications)! And the number of visits to the Company's website in 2015 increased to 14.5 million."

Andrey Vedernikov, Deputy General Director for Service Development and Marketing:

"Improving performance remains a major focus of the Company's efforts. In 2015 as large industrial companies reduced power consumption, the Company achieved a year-on-year reduction in losses by 0.15 percentage points (from 9.23% to 9.08%). This result could only be achieved through well-coordinated and focused efforts of all of the Company's employees.

One of the key measures aimed at improving power efficiency consists in implementing modern power metering systems, which enable real-time remote monitoring and analysis of power consumption by our consumers. This makes it possible to promptly reveal instances of unauthorized power consumption and take action against it. In 2015, over 4.9 thous. metering devices of this kind were installed in the footprint area of PJSC IDGC of Center and Volga Region."

Lada Podolskaya, Deputy General Director for Corporate Governance:

"The year 2015 posed a serious challenge to all industries of the Russian economy. The power sector was no exception. However, the year was quite fruitful. Its results show that over the years, PJSC IDGC of Center and Volga Region has accumulated considerable experience enabling the Company to maintain stability in a rapidly changing environment. The lack of clear economic forecasts provided another impetus to mobilize and concentrate efforts in search of new development strategies.

The Company's strategy currently involves intensive development through increasing efficiency, stronger cost management and implementation of innovations. This year the Company is going to continue gradual consolidation of power grid assets. Also, 2016 will see the kick-off of projects aimed at acquisition of power grid facilities under the state program Providing Russian Residents with Affordable and Comfortable Housing and Public Services.

Work with personnel and creating conditions for its development are another priority for the Company. As before, PJSC IDGC of Center and Volga Region will pay special attention to building a common corporate culture which will unite the teams of all departments."

Olga Tikhomirova, Deputy General Director for Economy and Finance:

"The previous year proved to be as challenging for PJSC IDGC of Center and Volga Region, as for the entire economy of our country: the slowdown in economic activity of consumers and the resulting reduction in power consumption was combined with a high level of inflation and the resulting higher prices for tangible resources as well as limited tariffs on power transmission services. Under these difficult conditions we are forced to look for new development areas and ways to maintain financial stability and profitability of the Company.

For this reason, the fact that we were able to mobilize available resources, implement a number of anti-crisis activities and to close the year with net profit is even more important. In particular, compared to the level of 2014, the Company managed to reduce unit operating costs per unit of power grid equipment by 6.1%, adjusted for inflation. At the same time, we financed investment projects in full compliance with the plan, ensured fulfillment of obligations to our clients in time, fulfilled all obligations to employees of the Company and reduced debt by more than RUB 2 bln.

PJSC IDGC of Center and Volga Region has achieved its long-term success through high cohesion and competence of its employees. In a situation unfavorable for the industry, efforts of the Company's employees, as before, are aimed at achieving maximum operational efficiency and high economic performance."

Vladimir Shitts, Deputy General Director for Investment Activities:

"In 2015, the Company increased reliability of power supply to the population and businesses within its footprint area by implementing over 2,400 km of power transmission lines and over 350 MVA of capacities. RUB 5,173 mln was allocated for the construction, reconstruction and technical re-equipment of power facilities. In the course of the year, 48,408 new consumers with a total capacity of 1,065 MW were connected to our grids.

The investment program included activities focused on modernization and development of all nine regional power systems controlled by PJSC IDGC of Center and Volga Region. We accomplished a number of tasks aimed at improving the reliability of power grids, reducing wear of power equipment, improving the quality of power supply to existing consumers and providing opportunities for connecting new ones.

In the context of the current economic crisis, we performed considerable work aimed at monitoring the costs and increase in production performance.

In the near future, the Company will invest considerable resources in improving the reliability of power supply to consumers. Considering demand for technological connection, we will continue to implement projects to develop the power grid infrastructure of the regions."

Irina Yashanina, Deputy General Director, Head of Administration:

"Reputation of PJSC IDGC of Center and Volga Region is a valuable intangible asset of the Company, which we have been building since the Company's inception. As an efficient organization, we are constantly producing information which has a potential impact on shareholder value and are informing the general public on activities of the Company in general and its subsidiaries in particular.

In 2016, we are resolved to continue the Company's information transparency strategy, to increase the level of comfort during the interaction of consumers, shareholders and investors with the grid organization, as well as to keep developing modern technologies and means of communication with all stakeholders."

2.1.6. Objectives and their Fulfillment

No.	Priorities, objectives and measures for accomplishing them	Results in 2015	Plans for 2016 and further
1. Improving the reliability and quality of services provided			
1.1.	Training employees of Consumer Service Offices (CSOs).	Training was provided in accordance with the approved training program.	Organizing personnel training at the Consumer Service Offices and testing their knowledge of regulatory documents in accordance with the approved training plan.
1.2.	Improving the quality of remote customer service.	Organizing customer service by means of an electronic line management system and prior appointments on the websites of PJSC IDGC of Center and Volga Region branches.	SMS-informing of applicants who submitted applications via 'Personal Account' on the Internet about processing of their applications.
1.3.	Ensuring efficient work of the 'For Customers' section of the Company's corporate website and the websites of its branches; developing new information sections to meet the customers' needs.	The report on the results of the research of customers' opinion on service quality is published on the Company's website with video instructions on technological connection The structure and content of the 'For Customers' section on the corporate website of PJSC IDGC of Center and Volga Region and websites of its branches were adjusted to comply with the requirements of The Customer Service Quality Standards.	Creation and putting into operation of the 'For Customers' section on the new platform of the common corporate website of the Company. Disclosure of: - the report on research of customers' opinion on service quality on the Company's website. - information on the customer service quality in compliance with Clauses 4.1, 4.2, 4.9 of Appendix 7 of the Decree of the Ministry of Energy of the Russian Federation No. 217 dated June 4, 2015.
1.4.	Standardizing consumer service processes in the Company and improving service quality.	Introduction of a corporate standard "PJSC IDGC of Center and Volga Region Management System/ The Customer Service Quality Standards" STO 01-037-2015.	Updating the standard "PJSC IDGC of Center and Volga Region Management System". Consumer satisfaction. Requirements to assessment and analysis of consumer satisfaction set out in regulations "On Interaction of the Corporate Call-Center Operators with Personnel of the Operation and Situation Center and Units of the Operational and Technological Process Control (GCC, ODS, DCC) of the PJSC IDGC of Center and Volga Region Branches" and "On the Work of a Unified Federal Number of the PJSC IDGC of Center and Volga Region Call-Center."
1.5	Meeting the reliability targets of services rendered approved by local regulatory bodies;	Deviation of service reliability indicators from targets approved in 2015 did not exceed the allowable level. Reliability targets were met.	100% implementation in the reporting period
1.6.	Calculation of service reliability indicators Psaidi, Psaifi as of the end of 2015.	The indicators were calculated as of the end of 2015.	Reduction compared to 2014: Psaidi – 1%; Psaifi – 9%
1.7.	Prompt and high-quality repairs.	In 2015, we allocated over RUB 3.3 bln for the repair program. Thorough maintenance of 34.9 thous. km of power transmission lines of 0.4-220 kV, 7,711 transformers, 48 power transformers of 35-110 kV and 209 substations of 35-220 kV was completed in a high-quality and timely manner.	Implementing the repairs program for 2016 worth RUB 3,274 mln. In physical volumes it is planned to carry out thorough maintenance of 33.9 thous. km of power transmission lines of 0.4-220 kV, 8,276 transformers, 25 power transformers of 35-110 kV and 208 substations of 35-220 kV.
1.8.	Implementing the target program for clearing and widening OL routes.	The total area of cleared and widened territory was 14,755 ha.	Clearing and widening of OL routes covering 14,853 ha are scheduled for 2016. Overall, from 2016 through 2020, the Company plans to clear and widen about 74 thous. ha of routes.
1.9.	Improving management efficiency, taking measures to optimize the Company's business processes, and	In 2015, over 75 regulatory documents of the Company were developed and updated.	Updating 55 effective documents regulating the Company's activities.

	standardizing organization of business processes in all of the Company's branches by means of Integrated Management System tools.		
1.10.	Maintenance of certificates of compliance of the Integrated Management System with international standards ISO 9001, ISO 14001, ISO 50001, OHSAS 18001, including all the branches of PJSC IDGC of Center and Volga Region, with the certification area Process Control and Rendering of Services: Electric Power Transmission and Distribution, Technological Connection of Consumers.	The Integrated Management System of PJSC IDGC of Center and Volga Region successfully passed the compliance audit in the appropriate certification area and obtained certificates of compliance with international standards ISO 9001, ISO 14001, ISO 50001, OHSAS 18001.	Maintenance of certification by means of compliance audit in 2016.
2. Improving operating and investment performance			
2.1.	Regulating cost estimates in capital construction.	Internal documents were updated. Control procedures were carried out.	Ensuring compliance of processes with the documents issued and updating the documents if necessary.
2.2.	Implementing project management in capital construction.	PRIMAVERA software is used to manage high-priority investment projects.	Implementing and improving project management.
2.3.	Construction control in accordance with the requirements of regulatory bodies.	Construction control was exercised in accordance with the requirements set out in regulatory documents. Regulatory documents were updated.	Ensuring compliance of processes with the documents issued and updating the documents if necessary.
2.4.	Confirming compliance of the Company's management processes with international standards.	In 2015, PJSC IDGC of Center and Volga Region, including all the branches, once more confirmed that management processes and provision of services of Power Transmission and Distribution, Technological Connection of Consumers comply with international standards ISO 9001:2008, ISO 14001:2004, OHSAS 18001:2007, ISO 50001:2011. In 2016, the Company intends to maintain the obtained certificates.	In 2016, the Company intends to maintain the obtained certificates.
2.5.	Reducing operating costs within implementation of the Strategy for Development of the Power Grid Industry of the Russian Federation.	The Company ensures exceeding rates of operating costs reduction. In accordance with the Strategy for Development of the Power Grid Industry of the Russian Federation, the target reduction in operating costs adjusted for inflation for 2017 is 15% as against 2012, per unit of serviced electrical equipment. The Company had reached and exceeded this target by the end of 2015, reducing operating costs by 16.4% compared to 2012.	Further implementation of a set of measures within the Strategy for Development of the Power Grid Industry of the Russian Federation and reduction in operating costs.
2.6	Reduction in operating costs within the framework of implementation of the directive of the Government of the Russian Federation No. 2303-P13 dated April 16, 2015 on reducing	In 2015, the reduction in operating costs per unit of power grid equipment amounted to 6.1% as against 2014;	The mid-term plans of the Company involve a reduction in operating costs adjusted for inflation of 2-3% per unit of serviced electrical equipment

	operating costs by at least 2-3% a year		
3. Improvement of investment attractiveness			
3.1.	Meeting targets for net profit, EBITDA and profitability.	The Company's net profit reached RUB 943 mln with the target being RUB 462 mln; EBITDA totaled RUB 10,483 mln with the target being RUB 9,347 mln; profitability on EBITDA amounted to 15.22% with the target being 13.64%.	Ensuring that the targets set by the business plan are met.
3.2.	An efficient IR program. Establishing and maintaining long-term relations with shareholders and investors.	The IR program for 2015 was completed. Dividends on the Company's shares were accrued and paid (RUB 349,363 thous. and RUB 344,220* thous., respectively). *As of December 31, 2015	Implementing the IR program for 2016 approved by the General Director. Ensuring the Company's information transparency to meet the requirements of the investment community.
3.3.	Developing the corporate governance system. Following the best and generally accepted practice in corporate governance.	On March 12, 2014, the rating agency Expert RA rated the management quality of PJSC IDGC of Center and Volga Region at the level of '8' (Advanced Corporate Governance Practice). New versions of the Company's internal documents regulating the operations of its governing bodies were developed and approved. Efficient operations of the Company's governing bodies, including committees of the Board of Directors, were ensured.	Following corporate procedures in the Company in accordance with the effective legislation of the Russian Federation. Ensuring that the Company's internal documents are updated in accordance with legislative requirements and monitoring their efficient implementation.
3.4.	Maintaining an impeccable credit history.	In 2015, the Company promptly and completely fulfilled its obligations to repay the principal debt, pay interest and other costs related to servicing the borrowed funds.	Unconditional fulfillment by the Company of its obligations under contracts with lenders.
4. Improvement of Power Efficiency and Promotion of Innovative Development			
4.1.	Developing and implementing the programs for power saving and power efficiency improvement at the branches in accordance with requirements of regional regulatory authorities.	The targets of the Program for Power Saving and Power Efficiency Improvement for 2015-2019 were met.	Ensuring that the targets of the Program for Power Saving and Power Efficiency Improvement are met unconditionally. Updating the programs for Power Saving and Power Efficiency Improvement at the Company's branches.
4.2.	Upgrading the power metering points.	The plan for the reporting year was 100%-fulfilled: 4,880 metering points were upgraded.	Compliance with the Program for Long-Term Development of the Company's Power Metering Systems.
4.3.	Implementing the Innovative Development Program.	Throughout 2015, the Company was implementing the Innovative Development Program for 2014-2018 amended by the Company's Board of Directors on November 26, 2014 (Minutes No. 171). Due to corrections to the business plan and the investment program, in 2015 the Company drafted a program for 2015-2020, which was approved by the Resolution of the Board of Directors dated November 25, 2015 (Minutes No. 204, Clause 8). In 2015, funding for the program was provided and totaled RUB 785.82 mln, including RUB 18.31 mln for R&D and RUB 736.47 mln for innovative equipment, materials and technologies. Within implementation of the Innovative Development Program, in 2015 the Company carried out operations under two R&D contracts. It obtained three patents for invention and one patent for a utility model.	Updating and developing five areas of the Innovative Development Program based on new methodological regulations. Maintaining the rates of introduction of innovative equipment, materials and technologies. Implementing R&D designs, obtaining patents and certificates, commercialization of R&D results.
5. Improvement of availability of power grid infrastructure			
5.1.	Providing information to potential	The opportunity to download existing contracts for technological	Location of facilities of applicants belonging to the category of 15-

	consumers so that they can assess key characteristics and risks of business projects with allowance for opportunities for technological connection.	connection automatically related to the supply points of substations of 35 kV and higher.	150 kW should be coordinated with authorities in the Company's footprint area.
5.2.	Making the procedure for interaction with applicants in the process of technological connection consistent with the effective legislation.	Introduction of the regulation R01-018-2015 on "Technological Connection. Implementation of Technological Connection of Applicants with Power Plants of 15-150 kW to Electric Grids". In 2015, PJSC IDGC of Center and Volga Region signed 25 agreements on cooperation with power supply companies.	Changing the regulatory documents in terms of interaction of the grid organization with the provider of last resort and the applicant focused on conclusion of the power supply agreement in accordance with changes in legislation.
6. Development of human capital			
6.1.	The full implementation of the Company's obligations under the Collective Agreement between the employees and PJSC IDGC of Center and Volga Region for 2014-2015.	In 2015, the Company's obligations under the Collective Agreement between PJSC IDGC of Center and Volga Region and its employees for 2014-2015 were completely fulfilled, subject to amendments and supplements thereto. The Collective Agreement between employees and PJSC IDGC of Center and Volga Region for 2016-2018 was drawn up.	The full implementation of the Company's obligations under the Collective Agreement between employees and PJSC IDGC of Center and Volga Region for 2016-2018.
6.2.	Meeting the target for the Company's staffing level (the standard is 90%).	The Company's staffing level was 97.3%.	Maintaining stable staffing levels and preventing them from decreasing below the standard.
6.3.	Meeting the target for the number of employees who underwent various kinds of training, retraining and advanced training.	The number of employees who underwent training reached 53% of the Company's average headcount.	Meeting the approved targets for personnel training.

2.1.7. Report of the Board of Directors on Priority Areas

1. Registration of real estate titles, registration/re-registration of land plot use for 2011-2014, including processing data on the borders of buffer areas of the electrical grid facilities, were approved as a priority by the Resolution of the Board of Directors dated November 1, 2010 (Minutes No. 64).

Within this priority area, in 2015 the Company's Board of Directors considered information provided by the General Director of the Company on registration of real estate titles, registration/re-registration of land plot use, including processing data on the borders of buffer areas of the electrical grid facilities in 2014 (Minutes No. 186 dated April 30, 2015).

2. Creation of the Innovative Development Program of JSC IDGC of Center and Volga Region was approved as a priority under the Resolution of the Board of Directors dated February 28, 2011 (Minutes No. 70).

In 2015, the Company's Board of Directors considered the 2014 Report on Implementation of the Innovative Development Program of the Company for 2014-2018 (Minutes No. 180 dated March 12, 2015).

On November 25, 2015, the Company's Board of Directors approved the Innovative Development Program of the Company for 2015-2020 (Minutes No. 204 dated November 26, 2015).

3. Maintaining the established level of reliability and quality of services provided by the Company in accordance with regulations was approved as the Company's priority by the Board of Directors of the Company on August 30, 2011 (Minutes No. 84).

Within this priority area, the Company's Board of Directors considered information provided by the General Director of the Company on meeting the targets for quality and reliability of rendered services as established by the regulatory bodies of the entities of the Russian Federation in the reporting year 2014 (Minutes No. 181 dated March 23, 2015)

4. Approval of the Program for Consolidation of Power Grid Assets of JSC IDGC of Center and Volga Region was established as the Company's priority by the Board of Directors of the Company on October 31, 2011 (Minutes No. 88).

The Program for Consolidation of Power Grid Assets of JSC IDGC of Center and Volga Region for 2011-2015 was approved by the Board of Directors of the Company on October 31, 2011 (Minutes No. 88).

Within implementation of this priority area, the Company's Board of Directors received the Progress Report of the General Director of the Company on Implementation of the Program for Consolidation of Power Grid Assets of JSC IDGC of Center and Volga Region for 2011-2015 (Minutes No. 181 dated March 23, 2015).

5. Improvement of the internal control and risk management system and development of the internal audit function were approved as the Company's priorities by the Board of Directors of the Company on August 27, 2014 (Minutes No. 164).

Within this priority area, the Company's Board of Directors approved the Internal Control Policy of JSC IDGC of Center and Volga Region as amended (Minutes No. 164 dated August 27, 2014).

On March 12, 2015, the Board of Directors approved the Company's report on performance of the the internal control system for 2014 (Minutes No. 180 dated March 16, 2015).

6. Implementation by the Company of activities aimed at centralization and automation of the treasury function was approved as the Company's priority by the Board of Directors of the Company on March 12, 2015 (Minutes No. 180 dated March 16, 2015).

Within this priority area, the Company's Board of Directors approved the implementation schedule of the project of centralization and automation of the treasury function.

On May 27, 2015 the Company's Board of Directors approved the schedule of activities of JSC IDGC of Center and Volga Region aimed at integration into a single IT-system of the unified Treasury of JSC Russian Grids (Minutes No. 189 dated June 1, 2015).

2.2. Investment Activities

Key Events in 2015

The year 2015 saw the implementation of the following investment projects aimed at improving the reliability of existing consumers and at providing opportunities for technological connection of new consumers:

- Construction of stage 2 of SS110/10/10 kV Vorsha with the installation of the power transformer of 63 MVA was completed. Implementation of the project is aimed at increasing the reliability of power supply in the local center and in the Petushinsky District, making possible the technological connection of new consumers;
- Construction of 110 kV SS Kolosovo and double-circuit 110 kV overhead line Sozvezdie-Kolosovo was completed. 26 MVA of capacity and 10.4 km of OL were put into operation. Implementation of the project provides technological connection of new consumers of the Western site of the industrial Park Vorsino;
- The stage 2 of reconstruction of SS110/35/10 kV Suzdal in Suzdal was completed. Replacement of OD-KZ 110 kV, MV 110 kV, MV 35 kV by circuit breakers and replacement of relay protection and automatics equipment by microprocessor equipment was completed. The goals and objectives of the project: increasing reliability of power supply in the local center and in the Suzdal Region, making possible the technological connection of new consumers;
- Comprehensive renovation of SS 110/10/6 kV Oktyabrskaya with replacement of 2x25 MVA power transformers by 2x40 MVA transformers was completed. Implementation of the project enabled the Company to increase reliability of power supply to consumers in Tula; it also made possible the technological connection of new consumers;

2.2.1. Investment Program Development

Investment Program (IP) of the Company is developed in accordance with regional development plans, technical state of power grids and available financing sources based on tariff and balance decisions.

Starting from 2010, IP planning, its implementation and development of a report on compliance with the Company's IP is carried out in accordance with provisions of Regulation No.977 of the Government of the Russian Federation "On Investment Programs of Power System Units" dated December 1, 2009.

The Investment Program for 2015 was approved by Order of the Ministry of Energy of the Russian Federation (Minenergo of Russia) No. 710 dated September 30, 2015.

2.2.1.1 Parameters of Investment Activities

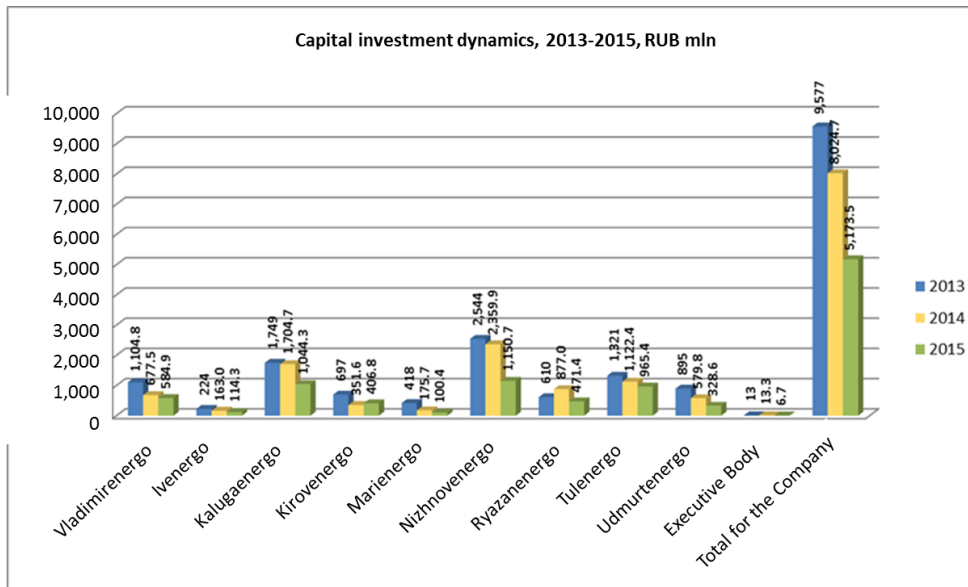
Value and Physical Indicators of Investment Activities of PJSC IDGC of Center and Volga Region in 2015

Branch/ unit	2015				
	Assimilation	FA Commissioning	Funding	Capacity introduction	
	RUB mln, excluding VAT	(RUB mln)	RUB mln, including VAT	MVA	km
Vladimirenergo	584.9	717.4	670.3	5.0	218.0
Ivenergo	114.3	114.5	133.9	21.8	52.6
Kalugaenergo	1,044.3	1,244.8	1,164.8	160.7	508.1
Kirovenergo	406.8	323.2	471.1	12.8	171.2
Marienergo	100.4	100.6	116.6	1.3	75.2
Nizhnovenergo	1,150.7	1,186.9	1,313.4	78.0	597.8
Ryazanenergo	471.4	463.4	545.4	5.6	201.5
Tulenergo	965.4	992.9	1,128.2	66.7	474.4
Udmurtenergo	328.6	336.8	352.8	1.5	185.6
Executive Body (administration)	6.7	6.7	7.8	0.0	0.0
Total for the Company	5,173.5	5,487.1	5,904.2	353.3	2,484.2

In 2015, capital investment amounted to RUB 5,173.5 mln. Fixed assets were commissioned in the amount of RUB 5,487.1 mln. In physical terms, 2,484.2 km and 353.3 MVA were commissioned.

Capital investment dynamics of PJSC IDGC of Center and Volga Region by branches in 2013-2015

Capital investment amounted to RUB 9,576.6 mln in 2013, RUB 8,024.7 mln in 2014, and RUB 5,173.5 mln in 2015. A reduction in investment in 2015 as against 2013-2014 was due to a decrease in demand for electrical power expressed in a reduction in net electricity supply and slow growth of the power transmission tariff.



2.2.1.2. Areas and Structure of Investment Program Financing

As a result of the Company's performance in 2015, the actual capital investment amounted to RUB 5,173.5 mln.

As part of the capital projects, the following works were performed in 2015:

- 353.3 MVA were commissioned, including 150.5 MVA of new construction and 189.9 MVA of renovation, and 12.9 MVA acquired.
- 133 TSS and DTS were built with the installed capacity of 47.4 MVA.
- 558 TSS and DTS were renovated with the installed capacity of 102.0 MVA.
- 10.4 km of OL 35-110 kV were built, as well as 144.6 km of power transmission lines 0.4-10 kV.
- 2,101.3 km of power transmission lines 0.4-10 kV built in 1975-1989, as well as 58.9 km of OL 35-110 kV in unsatisfactory and technically unsuitable condition in accordance with the technical regulatory documents, were renovated. Based on the analysis of data on power transmission volume, as well as technical state of overhead lines and high social importance of the facilities consuming power, a decision to renovate them was made.
 - In 2015, no power-factor correction units were commissioned.
 - To increase the reliability of power supply to customers, reduce operating costs and preserve employees' lives and health, oil circuit breakers were replaced at SS 35-110 kV, as follows:
 - OCB 110 kV by SF6 110 kV – 10 pcs.
 - OCB 35 kV by VCB 35 kV – 6 pcs.
 - OCB 6-10 kV by VCB 6-10 kV – 66 pcs. Oil circuit breakers are more susceptible to wear and tear. Measurements show that velocity characteristics of most breakers are below the standard. Lifting mechanisms are unreliable and cannot be adjusted (unstable drive operation). In many technical parameters, these breakers fail to comply with Ruling Document RD 34.45-51.300-97 titled "Range and Norms of Electrical Equipment Testing", and the cells equipped with such circuit breakers are fire and explosion dangerous. To increase the reliability of power supply to customers, reduce operating costs, preserve employees' lives and health, the Company replaced oil circuit breakers by vacuum ones.
 - Replacement of physically and functionally depreciated equipment at SS 35-110 kV was performed;
 - Replacement of isolating switches and shorting plugs (IS and SP) by SF6 circuit breakers at SS 110 kV – 4 pcs.

- Replacement of breakers 110 kV – 9 pcs.
- Replacement of breakers 35 kV – 14 pcs.
- Replacement of TN-110 kV – 3 pcs.
- Replacement of TN-35 kV – 8 pcs.
- Replacement at SS 110 kV of stick-pedestal porcelain insulators by polymeric ones – 4 pcs.
- Replacement of SN and SK type storage batteries at 3 SS 110 kV.
- Renovation of relay protection and automatics equipment at SS 35-110 kV involving the replacement of physically and functionally depreciated equipment, including: replacement of automatic units for the adjustment of voltage of power transformers at 7 SS, replacement of under-frequency load shedding equipment by microprocessor-based equipment at 24 SS, replacement of microprocessor-based emergency control automatics at 55 SS, replacement of 110 kV line protection panels by microprocessor-based ones – 9 pcs., installation of arc protection equipment at 101 SS 35-110 kV, and reconstruction of safety blocking systems at 9 SS.

In 2015, PJSC IDGC of Center and Volga Region commissioned the following priority investment projects.

Vladimirenergo Branch

New construction:

- *Construction of SS 110 kV Vorsha with 110 kV OL.*

The goals and objectives of the project: increasing reliability of power supply in the local center and in the Petushinsky District, making possible the technological connection of new consumers;

Construction of stage 2 of SS-110/10/10 kV Vorsha with the installation of the power transformer TRDN-63000/110/10 was completed. New modern primary equipment was installed: 110 kV SF6 circuit breakers-110 – 2 pcs., TN-110 kV – 2 sets, TT-110 kV – 3 sets, RGP-110 kV – 10 pcs.

In 2015, financing amounted to RUB 168.8 mln and capital investment reached RUB 147.6 mln. Commencement of construction – February 2015, completion – December 2015

Kalugaenergo Branch

New construction:

- *Construction of 110 kV SS Kolosovo and double-circuit 110 kV overhead line Sozvezdie-Kolosovo*

The goals and objectives of the project: provision of technological connection of new consumers of the Western site of the industrial Park Vorsino.

In 2015, financing amounted to RUB 66.2 mln and capital investment reached RUB 58.5 mln; fixed assets worth RUB 493.3 mln were commissioned; 10.4 km OL and 126 MVA were commissioned. Commencement of construction – February 2014, completion – December 2015.

- *Construction of SS 110 kV Verkhovaya (mobile SS) with renovation of double-circuit OL-110 kV Kaluzhskaya CHPP-1-Orbita with taps to SS-110 kV Kvan and SS-110 kV Mayak, OL-110 kV Orbita-Zhelezniki with formation of an additional tap at SS-110 kV Verkhovaya (stage 1).*

The goals and objectives of the project: provision of technological connection of consumers of the housing estate Pravobereshye in Kaluga.

In 2015, financing amounted to RUB 206.3 mln and capital investment reached RUB 216.3 mln. Commencement of construction – February 2014, completion – December 2016.

- *Construction of SS 220 kV Sozvezdie – stage 3.*

The goals and objectives of the project: creation of opportunities for technological connection of new consumers of the industrial Park Vorsino.

In 2015, financing amounted to RUB 26.7 mln and capital investment reached RUB 22.8 mln. Commencement of construction – April 2016, completion – December 2018.

Nizhnovenergo Branch:

Technical re-equipment and renovation:

- *Renovation of SS 110 kV Meshcherskaya*

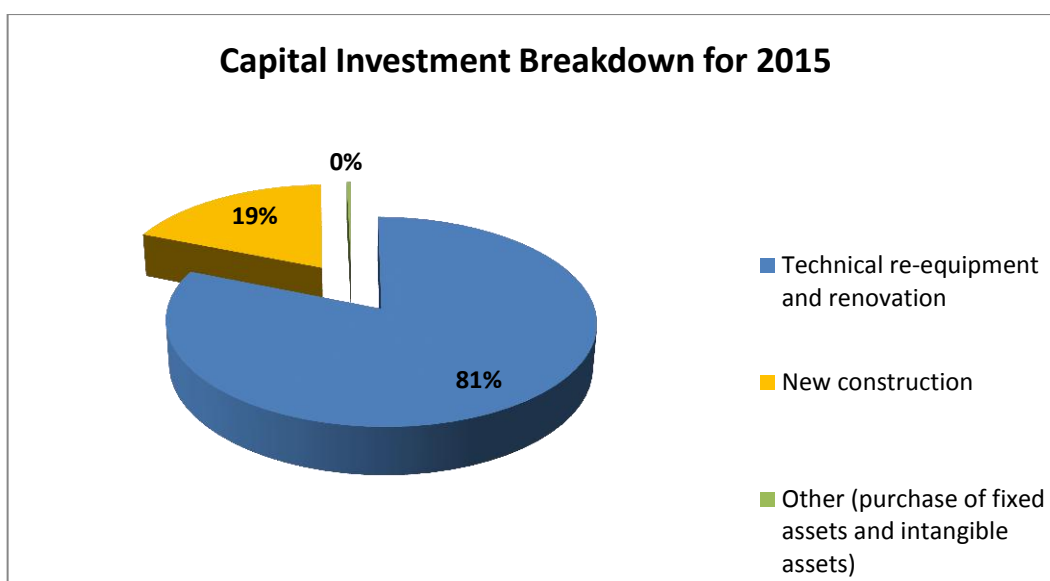
The goals and objectives of the project: provision of reliable power supply to infrastructure facilities for the Football World Cup in 2018 in Nizhny Novgorod.

In 2015, financing amounted to RUB 5.0 mln and capital investment reached RUB 4.3 mln. Commencement of construction – March 2016, completion – December 2016.

- *Renovation of SS 110 kV Sverdlovskaya*

The goals and objectives of the project: increase in reliability of power supply to consumers of Nizhegorodsky and Sovetsky Districts of Nizhny Novgorod. Meeting the consumers' need for technological connection.

In 2015, financing amounted to RUB 0.5 mln and capital investment reached RUB 0.5 mln. Commencement of construction – March 2017, completion – December 2020.



The Investment Program of PJSC IDGC of Center and Volga Region for 2015 was financed in the amount of RUB 5,904.2 mln

Capital Investment Breakdown of PJSC IDGC of Center and Volga Region,

RUB mln, including VAT

PJSC IDGC of Center and Volga Region	2013	2014	2015
Total	11,120.9	9,427.8	5,904.2
Priority projects	1,024.9	822.6	474.0
<i>Technical re-equipment and renovation</i>	188.1	13.9	5.5
<i>New construction</i>	836.8	808.8	468.5
Programs of particular importance	0.0	0.0	
Programs	10,096.0	8,605.2	5,430.2
<i>Technical re-equipment and renovation</i>	1,703.3	996.4	764.7
<i>New construction</i>	256.7	151.5	79.4
Technological connection (hereinafter TC), incl.:	4,544.1	5,115.8	3,164.6

TC facilities with capacity of over 750 kW (HV, MV1)	68.8	352.5	224.6
TC facilities with capacity of 100-750 kW (MV2)	142.9	93.1	132.9
TC facilities with capacity of 15-100 kW	1,144.2	1,269.2	595.4
TC facilities with capacity of up to 15 kW	3,181.2	3,392.7	2,211.7
Generation	7.0	8.3	0
Distribution grids	1,720.2	965.2	770.7
Technological control automation (except for automated power supply monitoring and control system (APSMCS))	399.8	234.1	175.7
Electrical power metering and control system	556.0	193.4	103.6
Safety programs	226.4	135.1	64.4
Purchase of power grid assets, land plots, etc.	31.9	0.6	15.1
Other programs and measures	657.7	813.1	292.0
For reference:			
<i>Technical re-equipment and renovation</i>	7,229.5	7,313.1	4,788.9
<i>New construction</i>	3,787.3	2,108.2	1,093.7
other	104.1	6.5	21.6

2.2.1.3. Investment Program Implementation Results

1. Measures to reduce specific investment costs

In order to reduce specific investment costs in the course of development (adjustment) of the Company's investment programs, the Methodology for planning investment cost reduction by 30% against 2012 level is applied, which was introduced by the Order of JSC IDGC of Center and Volga Region dated September 17, 2013 No. 528.

Based on the results of implementation of the investment program, the Company annually carries out monitoring of specific costs of investment projects construction in the context of benchmarking and comparative study of specific construction cost indicators according to the Methodology introduced by the Order of JSC IDGC of Center and Volga Region dated August 22, 2013 No. 464.

In addition, PJSC IDGC of Center and Volga Region developed guidance documents aimed at reducing the specific cost of facilities at the stage of preparation and approval of technical specifications (the Order of JSC IDGC of Center and Volga Region No. 48 as of February 2, 2015 "On Amendments to Standard Templates of Agreements at Capital Construction Facilities"), internal expert assessment of design documentation and control of quality and timely performance of engineering and design works as well as performance of designer's supervision (the Order of JSC IDGC of Center and Volga Region No. 67 as of February 10, 2014 "On Preparation for 2014 IP Realization", corporate standard STO 01-026-2015 determines the procedure for preparation, review and approval of design and estimate documentation).

Furthermore, in 2015, in accordance with order No. 311 as of May 29, 2015, the following list of standard design and estimate documentation (secondary use design and estimate documentation) was approved in order to reduce specific cost indicators for renovation and new construction of investment program facilities:

o.	Name of the standard design
2011	
1	Replacement of MV-35 by a vacuum circuit breaker on TSS 110 kV at Kalugaenergo Branch. Installation of a high voltage metering station (PKU) involving replacement of a support
2	Replacement of an isolating switch and shorting plug (110 kV) by SF6 circuit breakers of VEB (dead tank SF6 circuit breaker), LTB and VGT types
3	Replacement of an MKP 110 kV circuit breaker by that of VEB type.
2014 (for TSS facilities)	
4	Construction of a linear branch of Insulated Overhead Line (IOL) 0.22 kV with towers SV-95-3 and wire SIP-4(2x25). Code 59.0001-ES
5	Construction of a linear branch of IOL 0.38 kV with towers SV-95-3 and wire SIP-4(4x25). Code 59.0002-ES
6	Construction of an IOL 0.38 kV with towers SV-95-3 and wire SIP-2(3x50+1x54.6). Code 59.0003-ES
7	Construction of an IOL 0.38 kV with towers SV-95-3 and wire SIP-2(3x70+1x54.6). Code 59.0004-ES
8	Renovation of OL 0.38 kV involving replacement of supports and non-insulated wire by supports with towers SV-95-3 and wire SIP-2(3x50+1x54.6). Code 59.0006-ES
9	Renovation of OL 0.38 kV involving replacement of supports and non-insulated wire by supports with towers SV-95-3 and wire SIP-2(3x70+1x54.6). Code 59.0007-ES
10	Installation of a unilateral maintenance switchgear cell KSO-298 in a switchgear 10 (6) kV of a transformer substation
11	Metering station 380/220 V in a switchgear 0.4 kV of TSS
12	Metering station 380/220 V for 0.4 kV OL tower
13	Installation of a cell K-59 (56) in switchgear 10(6) kV of TSS 110/35/10(6) kV for technological connection of consumer's electrical installations
14	Installation of a recloser 10 kV. Code 1263-ES
15	Construction of cable line 0.4 kV. Code 1264-ES
16	Construction of overhead lines with protected wires 10 kV. Code 1265-ES
2015	
17	Construction of a TSS 35/10 kV "Clean Ponds" with electric feeders OL35 kV <u>(Project is applied to the TSS)</u>

As a result of the Company's efforts to reduce specific investment costs, PJSC IDGC of Center and Volga Region achieved the target index of specific investment cost reduction determined by PJSC Russian Grids for the reporting period in the amount of 15%.

2. Number of performed contracts for technological connection (pcs.), including preferential customers

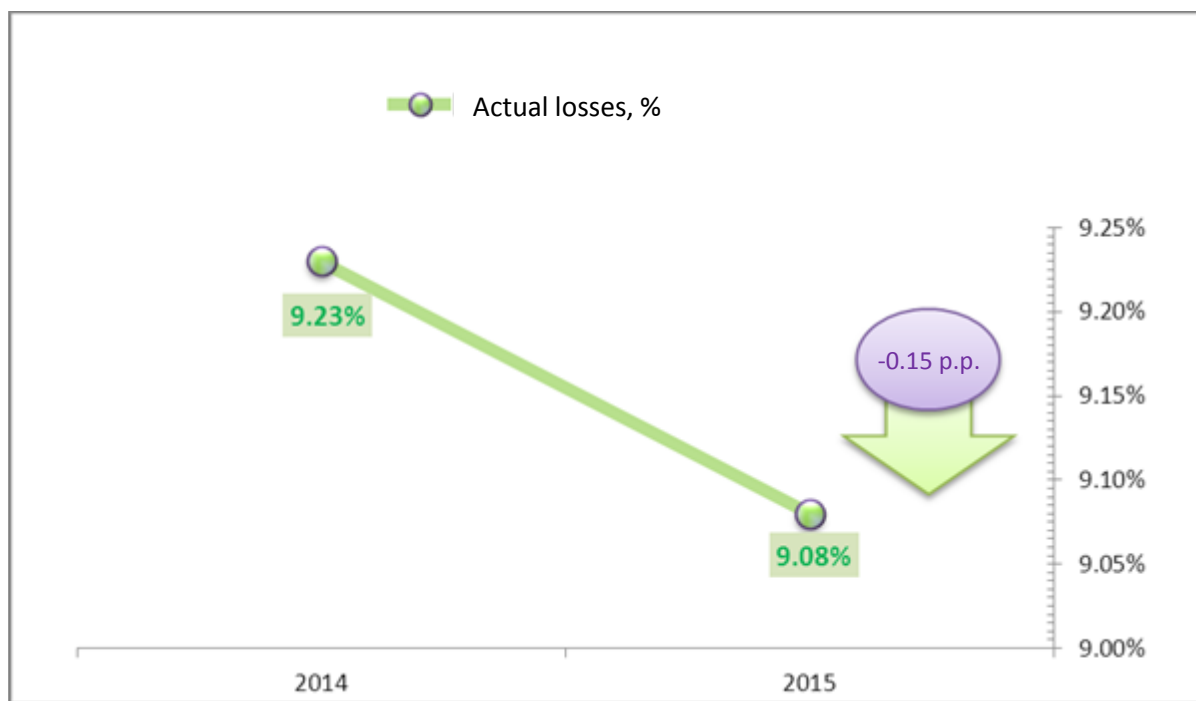
In 2015, 48,799 contracts for technological connection were performed, including 45,742 contracts with preferential customers up to 15 kW.

3. Volume of performed contracts for technological connection (GW), including preferential customers

Connected capacity of the performed contracts for technological connection amounted to 1.17 GW, including the capacity of the performed contracts with preferential customers up to 15 kW amounting to 0.48 GW.

4. Energy losses level.

Losses in grids of PJSC IDGC of Center and Volga Region demonstrate a steady downward trend.



This trend was reinforced by the work to reduce losses in power grids, which was carried out as part of implementation of the Energy Saving and Energy Efficiency Program, as well as the Investment Program, enabling the Company to reduce losses in the grids in 2015 to 9.08% of power supply to the grids; this is 0.15 p.p. lower than the actual level of losses in 2014.

5. Capacity utilization and incremental growth of open supply points

Capacity utilization

In 2015 utilization of installed capacity of supply points 35-110 kV amounted to 25.38% of the actual consumption on a winter metering day (December 16, 2015); utilization of available capacity (taking into account disturbance and repair states, and ensuring power supply reliability) amounted to 46.95%.

Incremental growth of open supply points

Nizhnovenergo Branch:

- SS 110 kV Kozhevennaya Installed transformer capacity before renovation was 1x16 and 1x10 MVA. Installed transformer capacity after renovation is 1x16 and 1x25 MVA.

Kalugaenergo Branch

- SS 110 kV Kolosovo. Installed transformer capacity of the substation is 2x63 MVA. A capacity reserve was created for connection of new consumers and capacity increase for existing consumers.

Tulenergo Branch:

- SS 110 kV Oktyabrskaya Installed transformer capacity before renovation was 1x25 and 1x40 MVA. Installed transformer capacity after renovation is 2x40 MVA.

6. As of December 31, 2015, the level of depreciation of fixed assets reached 61.1%.

7. As of January 1, 2016, the share of equipment with exceeded life expectancy was 61.4%.

8. Specific accident rate.

In 2015 specific accident rate in the grids of 6 kV or more per 1,000 c.u. of equipment decreased by 9% compared to 2014 and amounted to 11.6.

2.2.1.4. Long-Term Investment Program

The long-term investment program of PJSC IDGC of Center and Volga Region for the period from 2016 through 2020 was approved by Order of Minenergo of Russia No. 953 dated December 14, 2015. The program was devised in accordance with territorial development plans, technical condition of power grids, given the importance of power supply facilities, based on forecasts of revenues from power transmission and receipts under technological connection contracts. The decisions made during the development of the investment program comply with the goals and objectives of the Uniform Technical Policy in the Distribution Grid Complex and with the existing legislation.

Implementation of the investment program involves achievement of the following objectives:

1. Maintaining the operational availability of equipment necessary for reliable, uninterrupted and high-quality power supply to consumers;

2. Implementation of measures to reduce production costs, including by improving equipment efficiency and developing power consumption metering systems;

3. Fixed assets upgrade.

4. Ensuring operational safety of equipment and personnel;

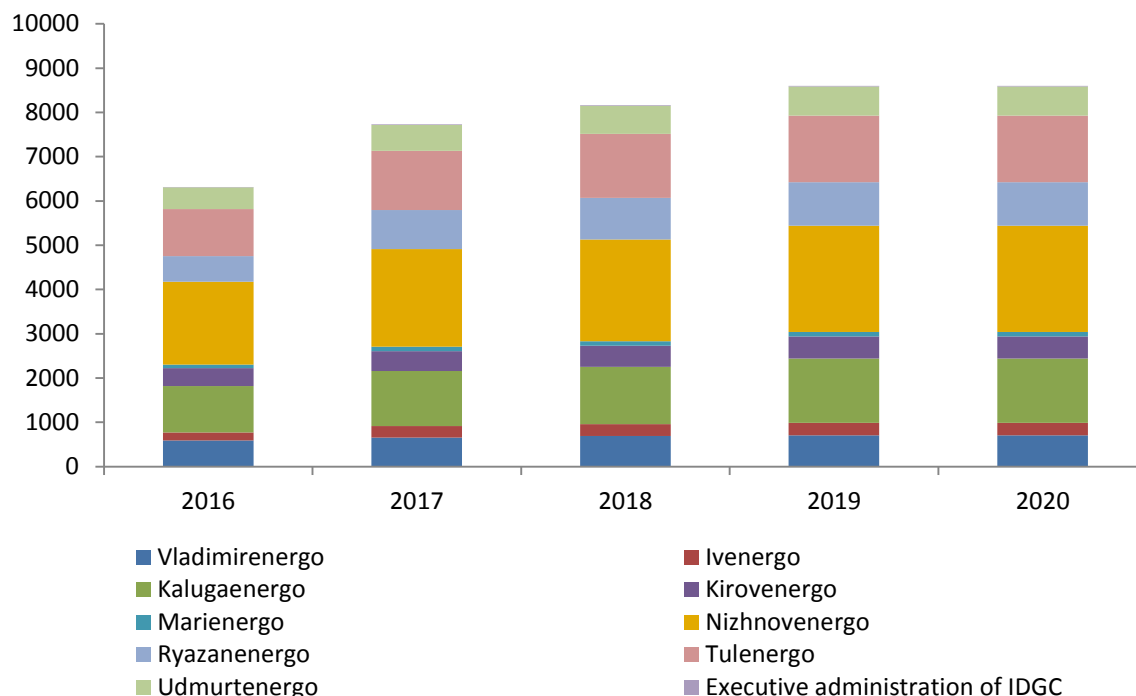
5. Ensuring transmission capacity of power grids to facilitate stable operation of electric power facilities and connection of consumers.

6. Improving anti-sabotage and anti-terrorism security of power facilities.

7. Development of communications, telemetry and data transfer to improve controllability of grids and reduce emergency response time.

Capital investment of RUB 6,314.2 mln (VAT excluded) is planned to be allocated for the implementation of the 2016 investment program. The projected capital investment for the coming years is shown in a diagram.

Capital Investment in 2016-2020, RUB mln, (VAT excluded)



Long-term investment program financing for 2016-2020 is planned to total RUB 46,031.7 mln.

Investment program financing dynamics,

RUB mln, including VAT

	2014	2015	2016	2017	2018	2019	2020
PJSC IDGC of Center and Volga Region	9,427.8	5,904.2	7,360.3	9,034.9	9,536.7	10,049.5	10,050.4

From 2016 through 2020 is planned to commission fixed assets worth RUB 40,247.3 mln; it is also planned to newly construct and renovate 11,892.8 km and commission the transformer capacity of 2,643.2 MVA.

2.2.2. Capital Construction Quality Management

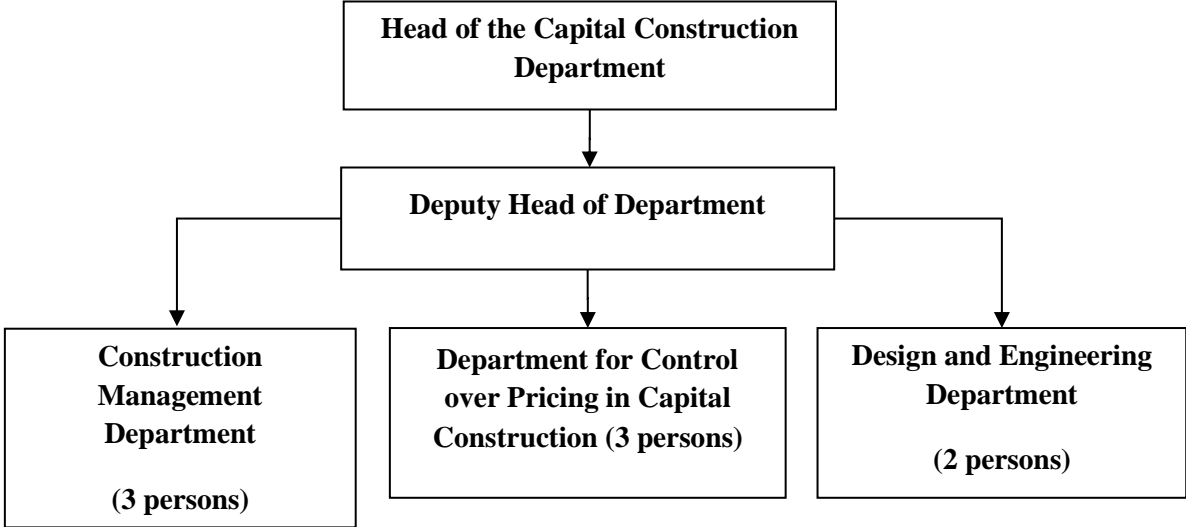
2.2.2.1. Construction Control

The Company exercises construction control to verify compliance of the work done with the design documentation, requirements of technical regulations, results of engineering surveying, requirements for urban planning regarding land plots in the process of construction, renovation, major repairs of capital construction facilities in accordance with the requirements of Article 53 of the Town Planning Code of the Russian Federation, and with the Decision of the Government of the Russian Federation No. 468 of June 21, 2010 "On the Procedure for Exercising Building Control When Carrying Out Construction, Re-Construction and Basic Repair of Capital Construction Objects".

2.2.2.1.1. Company's Resources Regarding Construction Control.

The organizational and staffing structure of the Company does not include a special unit or service exercising construction control. Construction control is exercised by officers of the Capital Construction

Directorate of branches and production departments. Capital Construction Directorates of branches are headed by Deputy Directors for Investment Activities of branches. They are to perform these functions in accordance with job descriptions and regulations of the departments. Organizational and supervisory functions, as well as methodological support are carried out by the Capital Construction Department of the Company's Executive Body; the Department is headed by A.V. Aksenov. The number of employees of the Capital Construction Department of the Company's Executive Body is 10 people; it is subordinate to the Deputy General Director for Investment Activities.

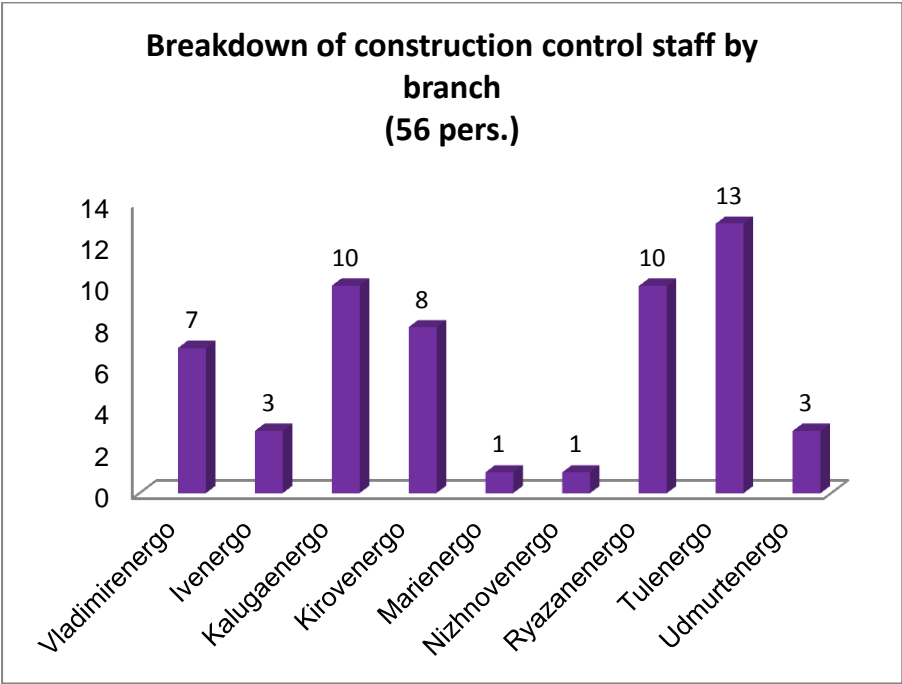


For the purposes of implementation and regulation of construction control, the Company introduced and implements the following organizational and regulatory documents: P 01-064 -2014 "Management System of JSC IDGC of Center and Volga Region". CAPITAL CONSTRUCTION. Construction Control at Priority Investment Objects of Electrical Grid Facilities of JSC IDGC of Center and Volga Region and P 01-058-2014 "Management System of JSC IDGC of Center and Volga Region". CAPITAL CONSTRUCTION. Construction Control during Construction, Renovation and Technical Re-equipment of Capital Construction Objects Included in Investment Programs of JSC IDGC of Center and Volga Region, R 01-046-2014 "Management System of JSC IDGC of Center and Volga Region". CAPITAL CONSTRUCTION. Organization of Construction, Technical Re-equipment and Renovation of Electrical Grid Facilities of JSC IDGC of Center and Volga Region, K 01-005-2014 "Management System of JSC IDGC of Center and Volga Region". CAPITAL CONSTRUCTION. Quality Management Concept for Capital Construction of JSC IDGC of Center and Volga Region, M 01-013-2014 "Management System of JSC IDGC of Center and Volga Region". CAPITAL CONSTRUCTION. Confirmation and Acceptance of the Volume and Quality of Construction and Installation Carried Out by Construction Contractors at Electrical Grid Facilities of JSC IDGC of Center and Volga Region, P 01-065-2014, "Management System of JSC IDGC of Center and Volga Region". CAPITAL CONSTRUCTION. On Checking the Readiness of Construction Contractors for Carrying Out Construction Contracts at Priority Investment Objects of Electrical Grid Facilities of JSC IDGC of Center and Volga Region, P 01-082-2015 "Management System of PJSC IDGC of Center and Volga Region". CAPITAL CONSTRUCTION. On Preparing As-Builts and Producing Acceptance Documents at Electrical Grid Facilities of PJSC IDGC of Center and Volga Region, P 01-054-2015 "Management System of PJSC IDGC of Center and Volga Region". CAPITAL CONSTRUCTION. Regulations on the Procedure for Accepting and Putting into Operation Constructed Facilities of PJSC IDGC of Center and Volga Region.

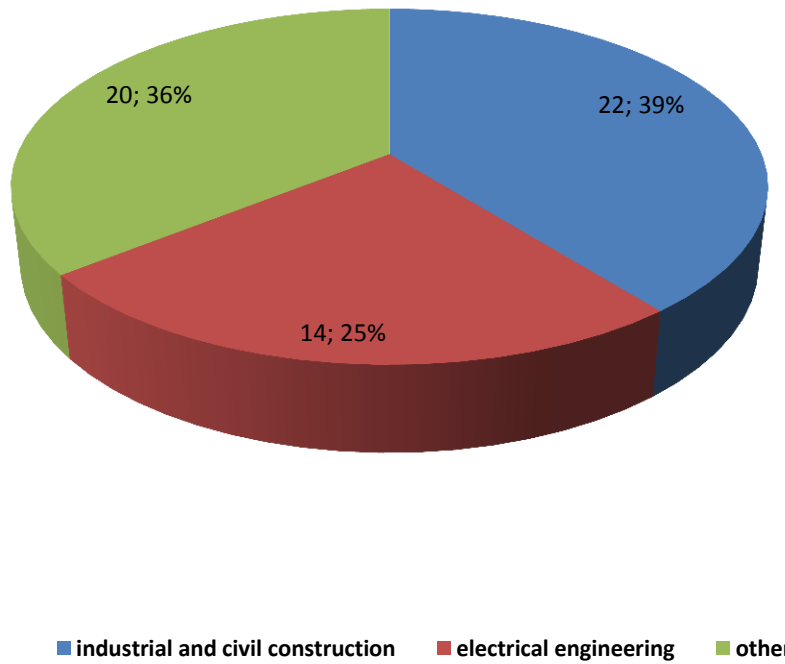
The Company exercised construction control based on SRO NP "Association of Organizations Carrying Out Construction, Renovation and Thorough Maintenance of Power Facilities, Grids and

Substations "ENERGOSTROY" No. 0244.03-2012-5260200603-S-060 as of September 11, 2012, indefinitely.

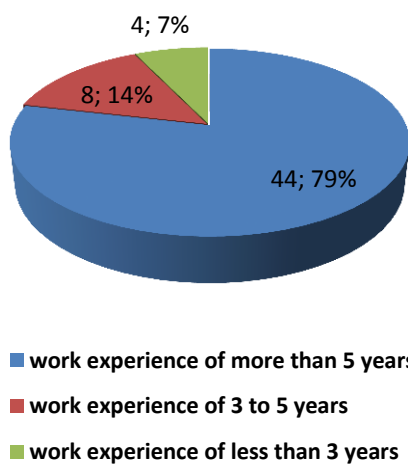
In 2015 construction control was ensured by 56 specialists of the Company's grid companies without engaging external contractors (the total number of staff of the Capital Construction Directorate is 105 employees).



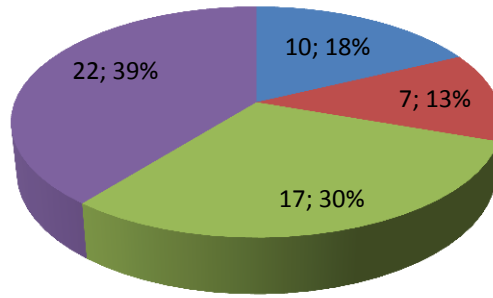
Vocational training of specialists (56 pers.)



Work experience in the power industry



Breakdown of staff by power safety group



■ PS group 5 ■ PS group 4 ■ PS group 3 ■ PS group 2

2.2.3 Long-Term Development

Organization of Long-Term Development

Long-term development includes measures in the following areas:

- development of the grid infrastructure in order to satisfy long-term and mid-term demand for electric power and capacity;
- analysis of the load capacity of the power facilities and development of target measures to be included in the investment program in order to eliminate bottlenecks in branch power systems and to ensure technological connection to the Company's power grid;
- assessment of relevance of the current schemes and programs of long-term power grids development in the Company's branches, and coordination of long-term development schemes and programs with the executive authorities of the entities of the Russian Federation;
- settlement of issues related to technological connection with PJSC FGC UES and affiliated grid organizations;
- cooperation with generating companies to conclude agreements on technological connection of generating facilities to power grids;
- cooperation with PJSC FGC UES, JSC SO UES and executive authorities of the entities of the Russian Federation on synchronization of measures related to new construction and renovation of power grid facilities;
- development of schemes of external power supply to constructed and renovated facilities and assessment of feasibility of the suggested measures in order to meet design and construction schedules;
- cooperation with local and federal executive authorities in the development of grid infrastructure.

Schemes and Programs of Long-Term Development

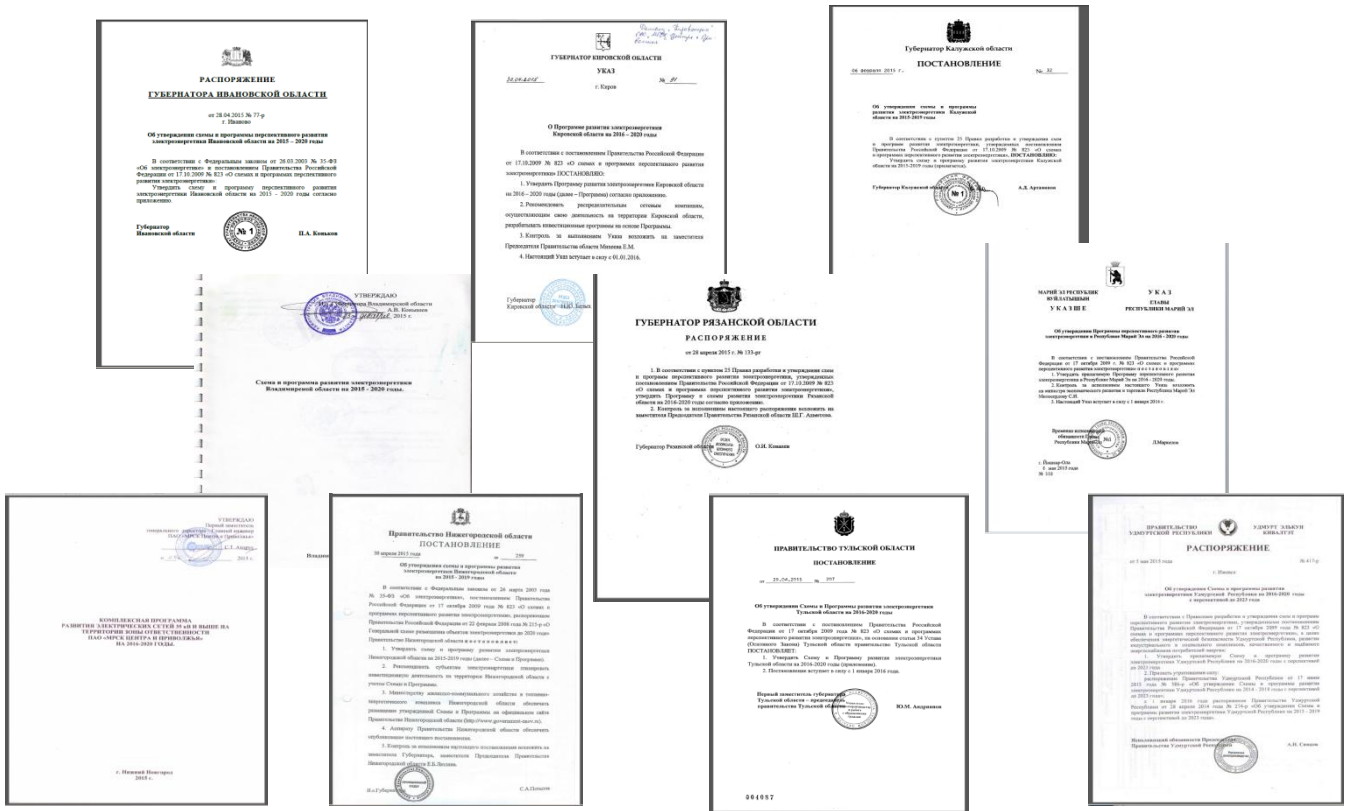
Schemes and programs of long-term development of power industry of the entities of the Russian Federation are developed in accordance with the Regulation of the Government of the Russian Federation No. 823 dated October 17, 2009, and are subject to approval by executive authorities of the entities of the Russian Federation for a five-year period.

Primary targets of long-term development schemes and programs in the power industry include developing grid infrastructure and generating capacities, satisfying long-term and mid-term demand for electric power and capacity, and forming a stable and favorable investment climate in the sphere of power facilities construction.

In 2015 development schemes and programs were elaborated for all regions within the footprint of PJSC IDGC of Center and Volga Region.

Pursuant to the order of PJSC IDGC of Center and Volga Region "On Schemes and Programs of Long-Term Development", the schemes and programs of long-term development of the regions where PJSC IDGC of Center and Volga Region operates were synchronized with the investment programs of its branches.

Specially designated work groups (coordinating councils) coordinate the schemes and programs of long-term development with the executive authorities of the entities of the Russian Federation. Coordinating councils are present in all entities of the Russian Federation within the area of the Company's operations.

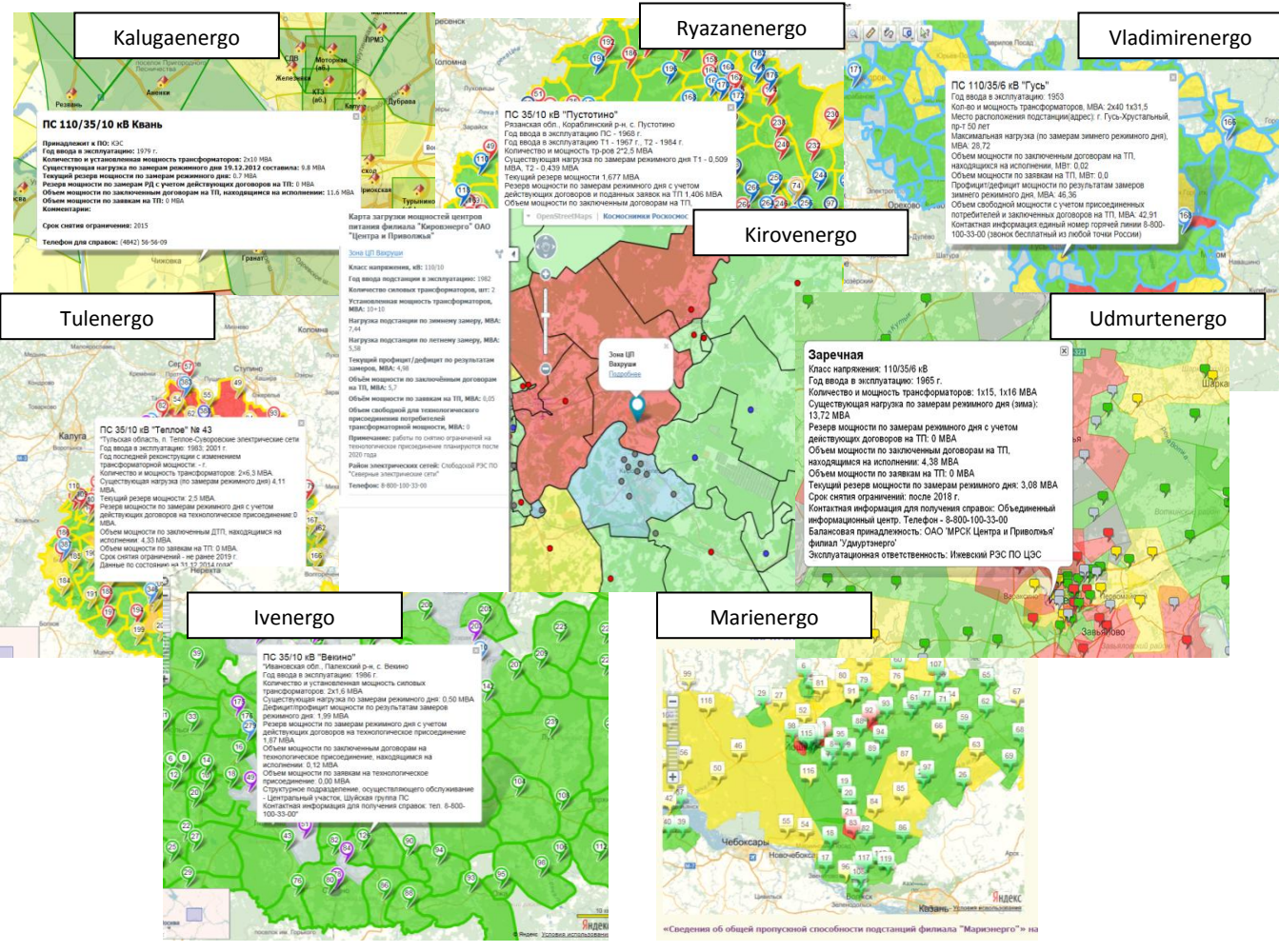


In 2015 in accordance with the Order of PJSC Russian Grids dated August 25, 2015 No. 155 "On Improving the Quality of Power Grids Development Planning", the Company prepared a Comprehensive Program for development of power grids with the voltage of 35 kV and higher in the entities of the Russian Federation within the operations area of PJSC IDGC of Center and Volga Region, for the five-year period. The Comprehensive Program is synchronized with the schemes and programs of power industry development in the entities of the Russian Federation within the operations area of PJSC IDGC of Center and Volga Region and with the Scheme and Program of Development of UES of Russia for 2015-2021 approved by the Order of the Ministry of Energy of the Russian Federation dated September 9, 2015 No. 627.

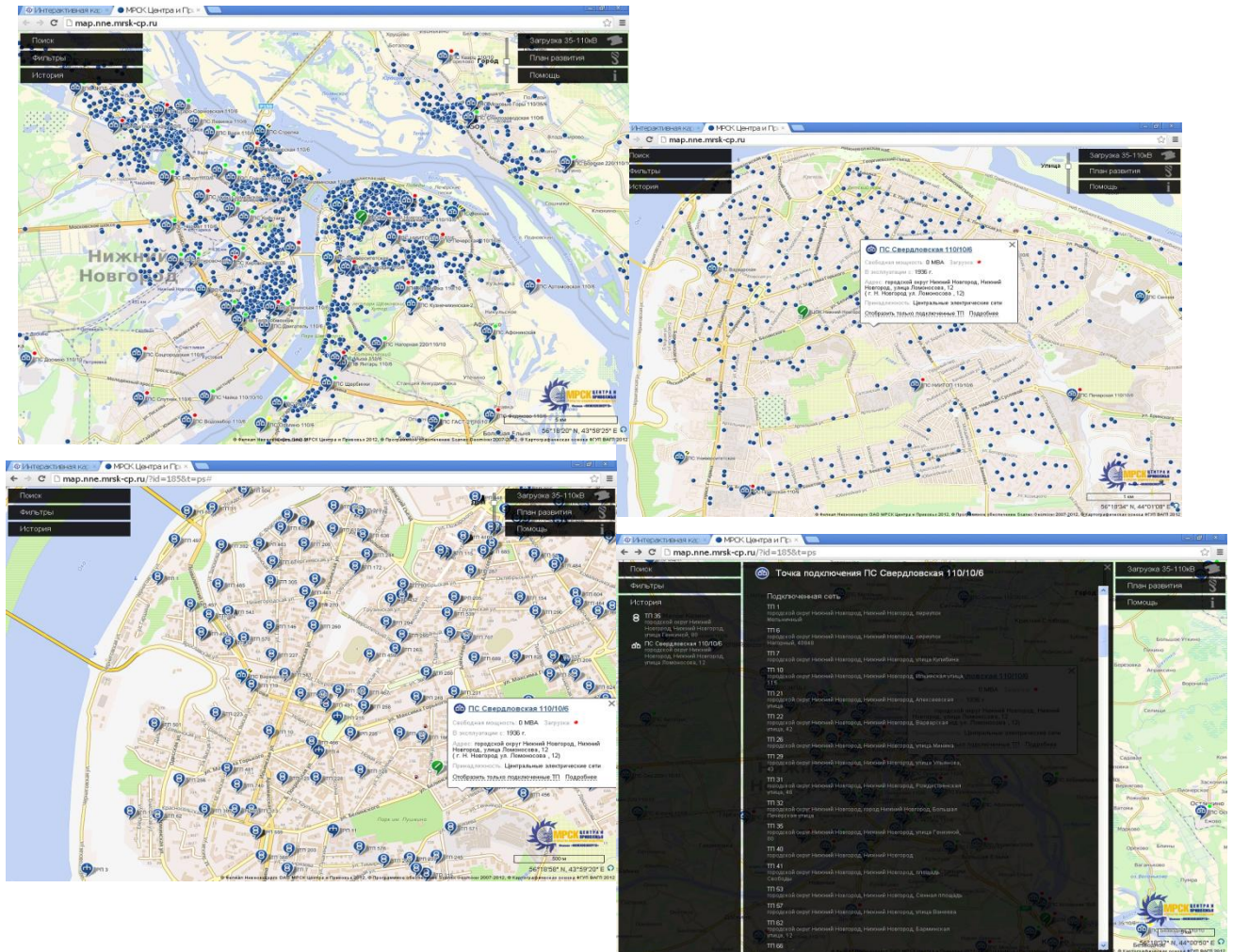
Maps of Power Distribution among Branches of PJSC IDGC of Center and Volga Region

In order to adopt a unified approach to the issues concerning long-term development, territorial planning and implementation of investment projects of small and medium-sized enterprises (SMEs), the branches of PJSC IDGC of Center and Volga Region continued to improve power distribution maps developed earlier, which visualize the load level of 35-110 kV substations depending on their location.

Interactive maps contain data on supply points of 35 kV and higher, including current and prospective load of substations considering concluded contracts for technological connection of consumers. For supply points closed for technological connection, the period of restriction removal is indicated, taking into account the planned renovation of a supply point.



The Nizhnovenergo Branch of PJSC IDGC of Center and Volga Region developed an interactive map showing extended information, i.e. the list of transformer substations with the voltage of 6-10/0.4 kV connected to the respective supply points of 35-110 kV.



Interactive maps are based on geodetic data, with an opportunity to scale from the entire region to individual settlements and streets.

Use of interactive maps enables online cooperation with administration of the entities of the Russian Federation and potential investors to coordinate power grid development depending on demand for power capacity.

The field of the interactive map of a branch containing a link to graphic data is located on the front page of PJSC IDGC of Center and Volga Region.

Top-Priority Facilities for the Purposes of Long-Term Development

For the purposes of developing power systems of the entities of the Russian Federation within the operations area of PJSC IDGC of Center and Volga Region, ensuring reliable power supply to consumers, facilitating sustainable functioning of the energy system of the regions in the medium term, eliminating the existing (projected) restrictions on supply to consumers, meeting the demand for electricity, as well as implementing long-term development programs and achieving strategic goals in terms of electric power in the branches of PJSC IDGC of Center and Volga Region, in 2015, the following power facilities were commissioned:

At the Vladimirenergo Branch, as part of constructing the new SS 110 kV Vorsha, a transformer with a capacity of 63 MVA was commissioned. The construction of SS 110 kV Vorsha will ensure technological connection of a major plant producing buses and special-purpose machinery using natural gas motor fuel, which is currently under construction in Sobinsky District of the Vladimir Region, as well as other regional consumers.

At the Ivenergo Branch, to improve the reliability of power supply to consumers in Yuzha, the Yuzhsky District, Pestyakovsky District and Shuya District, a set of single-phase transformers with a capacity of 20 MVA at the Yuzha 110 kV substation was replaced by a transformer with a capacity of 16 MVA.

At the Kalugaenergo Branch, in order to ensure the possibility of technological connection of the Vorsino Industrial Park consumers, the construction of the SS 110 kV Kolosovo with two transformers with a capacity of 63 MVA each was completed,

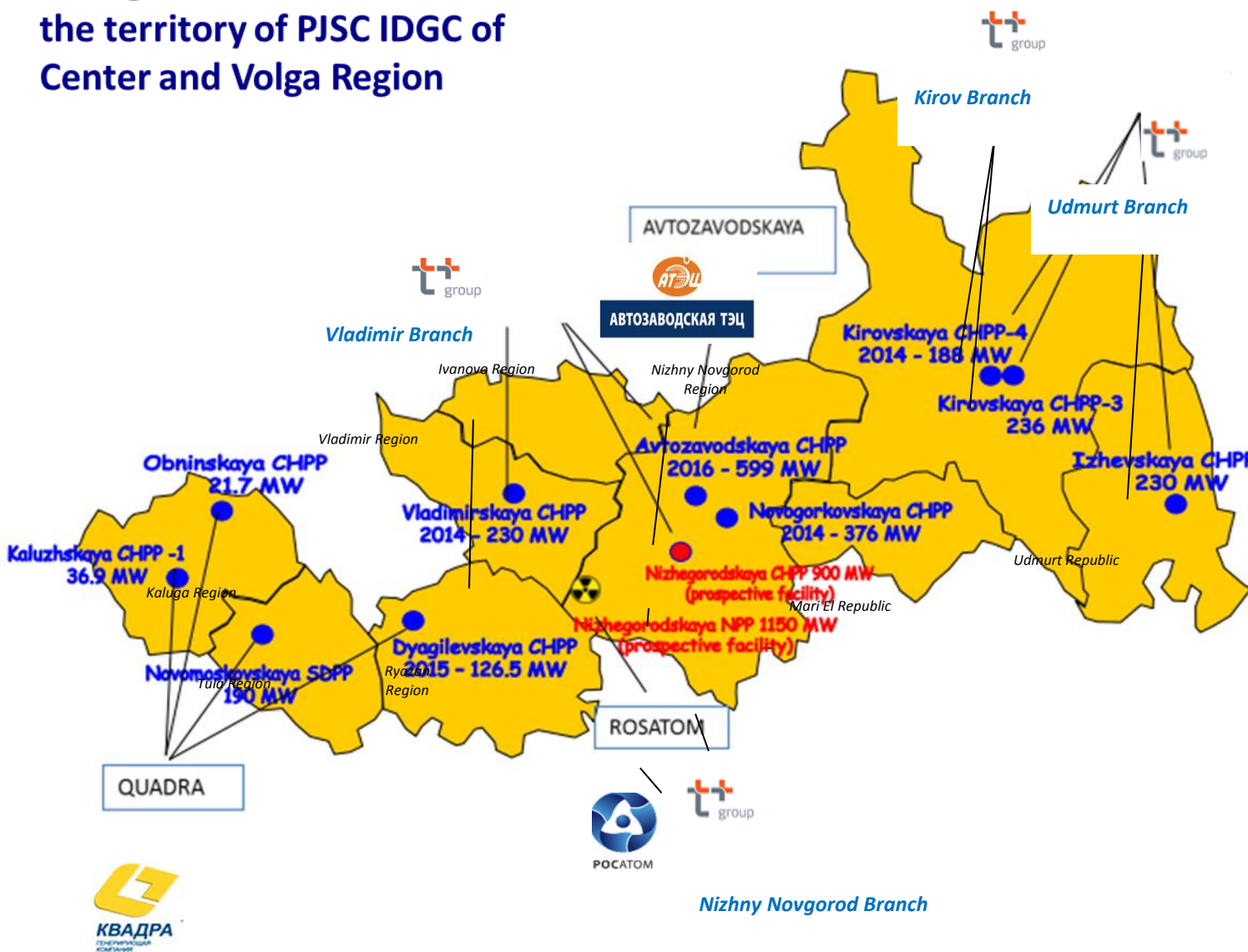
At the Nizhnovenergo Branch, to ensure reliable power supply to consumers in the Bogorodsky District of the Nizhny Novgorod Region, as well as to meet the need for the technological connection of new consumers, the renovation of SS 110 kV Kozhevnaya with the replacement of a transformer with a capacity of 10 MVA by that of 25 MVA was carried out.

At the Tulenergo Branch, to improve the reliability of power supply to consumers of Zarechensky District of Tula and to satisfy the need for technological connection in the area of developments, shopping malls and residential construction, comprehensive renovation of SS 110 kV Oktyabrskaya with replacement of transformers with a capacity of 2x25 MVA by those with a capacity of 2x40 MVA was completed.

Technological Connection of Generating Facilities

In the operations area of PJSC IDGC of Center and Volga Region, there are two major generating companies whose generating facilities were connected to the power grids of PJSC IDGC of Center and Volga Region: PJSC T Plus and PJSC Quadra.

New generation facilities in the territory of PJSC IDGC of Center and Volga Region



Operations are being carried out to fulfill the obligations regarding technological connection of Dyagilevskaya CHPP (PJSC Quadra). For the purpose of project implementation, PJSC IDGC of Center and Volga Region constructed two transmission lines 110 kV from 110 kV switchgear of Dyagilevskaya CHPP to connection to OL 110 kV Dyagilevo - Yamskaya with sealing off, and two transmission lines 110 kV from 110 kV switchgear of Dyagilevskaya CHPP to connection to OL 110 Kv Dyagilevo - Ryazan with sealing-off at SS Pechatnaya. Technological connection of Dyagilevskaya CHPP power plants will be performed when PJSC Quadra is ready.

In 2016 it is expected to complete the implementation of measures for technological connection of power installations of the Avtozavodskaya CHPP (LLC Avtozavodskaya CHPP) in accordance with the contract for technological connection.

Technological Connection to UNEG

In 2015 PJSC IDGC of Center and Volga Region continued to carry out technological connection of newly constructed and renovated facilities of the Company to UNEG power grids. Over the past year, the Company drafted and submitted to PJSC FGC UES 5 applications for technological connection to UNEG. 29 contracts for technological connection to UNEG power grids are being executed, 5 of them were concluded in 2015.

In 2015 the technological connection of the following facilities to the UNEG grids was carried out: SS 110 kV Vorsha, overhead line 6 kV with transformer substations 6/0.4 kV with a total capacity of 1,500 kVA in the Vladimir Region, SS 110 kV Kvan in the Kaluga Region, SS 110 kV Kozhevennaya, SS 110 kV Priboy, SS 110 kV Sukhobezvodnoye, SS 110 kV Fedyakovo in the Nizhny Novgorod Region, generating plants at the Kirovskaya CHPP-4 in the Kirov Region, SS 110 kV Oktyabrskaya in the Tula Region, and SS 110 kV Ludzinka in the Udmurt Republic.

In 2015, alignment of investment programs of PJSC FGC UES and PJSC IDGC of Center and Volga Region in terms of coordination of duration of investment projects, as well as operations on relay protection and automation equipment and emergency control equipment at transmission lines 110 kV was carried out.

Implementation of Federal Target Programs

In compliance with Federal Law On Housing Development No. 161 dated July 24, 2008, the Company cooperates with the Russian Housing Development Foundation (RHD Foundation) in developing grid infrastructure and technological connection to the power grids of PJSC IDGC of Center and Volga Region.

The Company developed the scenarios of power supply to the capital construction facilities on land plots owned by RHD Foundation:

- Ivanovo Region. Land plots in the city of Ivanovo, Ivanovo District of the Region.
- Nizhny Novgorod Region. Land plots in Nizhny Novgorod.
- Kirov Region. Land plots in the city of Kirov, Kirovo-Chepetsk, the of village Shutovshchina.
- Udmurt Republic. Land plots in Zavyalovo District, Votkinsk District, and in the city of Izhevsk.
- Kaluga Region. Land plots in Peremyshlsky District and Zhukovsky District of the Region.
- Tula Region. Land plots in the city of Tula.

2.3. Innovative Development

The Innovative Development Program of PJSC IDGC of Center and Volga Region for 2015-2020 was approved by the Resolution of the Board of Directors on November 25, 2015 (Minutes No. 204, p. 8).

1. The main objectives and tasks to be tackled during the implementation of the Program.

Main objectives:

- transition to power grids based on new technologies with qualitatively new features in terms of reliability, efficiency, availability, manageability, and customer orientation of the power grid complex;
- creating a grid infrastructure based on advanced technologies resulting from scientific and technological progress.

Main objectives:

- enhancing reliability and efficiency of production;
- improving services related to power transmission;
- forming an efficient mechanism for creation and promotion of high-tech equipment and advanced technologies for the power grid complex;
- improving investment attractiveness and value of the Company.

In the reporting year, financing of the program amounted to RUB 769.20 mln according to the plan, while actually it was RUB 785.82 mln; thus, implementation was 102%.

The deviation of the actual amount of funding of the program from the planned amount is related to the fact that actual funding of the implementation of innovative equipment, materials and technologies exceeded the planned amount by 2% due to the revision of several technical solutions for the renovation of electrical grid facilities of the Company. For example, at SS 110/35/10 kV Komintern of the Kirovenergo

Branch the use of outdoor vacuum circuit breakers 35 kV led to the increase in the share of innovations in the facility, but it allowed to abandon the construction of an indoor switchgear 35 kV and to reduce the overall costs of renovation.

2. The main fields of R&D, design and technological work carried out as part of the R&D program in 2015:

- electrical equipment, apparatus, structures and materials for transmission lines;
- comprehensive infrastructure projects.

3. As part of implementation of the R&D plan, in 2015 the Company carried out operations under two contracts:

- Development engineering - Development of a smart power-supply system for rapid charging of electric vehicles based on lithium-ion energy accumulators at the facilities with limitations concerning allocated power capacity and power-supply category; the contract was concluded on December 1, 2014; in 2015 funding totaled RUB 11.81 mln.

- Development engineering - Development of intermediate support gantries (single-circuit and double-circuit) made from composite materials for high-voltage power transmission lines of a 35 kV voltage class; the contract was concluded on December 12, 2014; in 2015 funding totaled RUB 6.50 mln.

Contracts are being executed in accordance with the schedule; the execution was 100%.

Total actual funding under R&D contracts was RUB 18.31 mln as of December 31, 2015. In the reporting year no R&D projects were completed.

Detailed information on R&D projects is given in Supplement 3 to this Annual report.

With a view to unlocking the intellectual potential of young people in solving of knowledge-intensive problems of the power grid industry and to promoting innovative ideas, in the reporting year young specialists of the Company and students of basic universities participated in the following events:

a) In July 2015, as part of the international forum of young power engineers and industrialists Forsage, 12 promising employees of the Company had the opportunity for exchanging ideas, presenting their own projects and technical developments, developing leadership skills, communicating with eminent scientists, innovators and top managers of large companies.

b) On 22 October, 2015, the final of the competition Energoproryv-2015 and the awards ceremony took place at the international electric power industry forum RUGRIDS-ELECTRO 2015; at the event, the corporate project Creation of a Monitoring and Control Center for Forming Productive Supply of Electricity in Real Time was awarded a certificate of PJSC Russian Grids; the project was led by the head of the Energy Metering Department of the Udmurtenergo Branch Evgeny Busygin.

c) Young professionals of the Company took part in the international forum on energy efficiency and energy saving ENES-2015 held in November 2015.

4. List of Obtained Protection Documents (Patents, Certificates) for R&D Results in 2015

Name of development protected by exclusivity documents	Details of exclusivity documents	Details of agreements serving as the basis for development	Status of exclusivity documents obtaining (protected / application filed)
Device for monitoring and protection of electrical contacts from overheating	Patent for Utility Model No. 151154 dated February 19, 2015	Agreement on R&D No. 1 dated December 5, 2011	The patent has been obtained and is being held
Ways of protecting a	The patent for the	Agreement on R&D	The patent has been

Name of development protected by exclusivity documents	Details of exclusivity documents	Details of agreements serving as the basis for development	Status of exclusivity documents obtaining (protected / application filed)
capacitor bank and the device for implementing it	invention No. 2552528 dated May 27, 2015	No. URZA-007/2012 dated June 8, 2012	obtained and is being held
0.95 kV distribution electric grid	The patent for the invention No. 2554098 dated May 27, 2015	Agreement on R&D No. 2696-yur dated August 24, 2012	The patent has been obtained and is being held
Electromechanical time relay	The patent for the invention No. 2566533 dated March 29, 2015	Agreement on R&D No. 1 dated December 5, 2011	The patent has been obtained and is being held

5. The list of facilities which introduced and put into pilot operation innovative solutions in 2015, specifying the detailed information, is given in Supplement 3 to this Annual Report.

6. Information on the results of commercialization of copyright obtained following R&D implementation in 2015 is given in Supplement 3 to this Annual Report.

7. The share of allocations for R&D funding is 0.07 % of the total own revenues.

8. Indicators for monitoring implementation of the Innovative Development Program

Performance indicator	UOM	Year
Costs of research and development provided by third parties, including by provider (HEIs, research organizations, innovative companies: small- and medium-sized enterprises),	RUB mln	18.31
including projects implemented within the framework of:		
- technological platforms;	RUB mln	0.00
- higher educational institutions (HEIs)	RUB mln	0.00
- research organizations	RUB mln	0.00
Number of employees of subsidiary and dependent companies who received advanced training and professional retraining in HEIs	pers.	309
The Company's expenditure on advanced training and professional retraining of specialists in HEIs	RUB thous.	4,832.10

2.3.1. Energy Saving and Energy Efficiency Improvement

Organization of work on energy saving and increasing energy efficiency of PJSC IDGC of Center and Volga Region in 2015 was carried out in accordance with the Federal Law of the Russian Federation No. 261-FZ "On Energy Saving and Energy Efficiency Improvement and Amendments to Certain Legislative Acts of the Russian Federation", Regulation of the Russian Government No. 340 dated May 15, 2010 "On Procedure for Establishing the Requirements to the Programs for Energy Saving and Energy Efficiency Improvement in Organizations Engaged in Regulated Activities", and Regulation of the Russian Government No. 977 dated December 1, 2009 "On Investment Programs of Power-Industry Entities (as amended by Regulations of the Russian Government No. 484 dated June 30, 2010, No. 1178 dated December 29, 2011), as well as in accordance with the Program for Energy Saving and Energy Efficiency Improvement of JSC IDGC of Center and Volga Region for 2015-2019 (hereinafter, the Program) as approved by the Resolution of the Board of Directors of JSC IDGC of Center and Volga Region dated December 18, 2014.

As of the end of 2015, the measures under the Program for Energy Saving and Energy Efficiency Improvement were implemented in full.

The effect of the implementation of measures under the program aimed at reducing power losses totaled 469.9 kWh thous., which corresponds to the planned values.

For 12 months of 2015, consumption of fuel and energy resources for production and economic needs amounted to 39.9 TOE thous., which was 942 TOE thous. lower than the target.

Consumption of fuel and energy resources for production and economic needs for 12 months of 2015

Indicator	Target	Actual	Deviation (actual - target)
Electric power, kWh mln	105.7	101.5	-4.2
Thermal energy, Gcal	41,107	39,029	-2,076
Natural gas, m3 thous.	3,498	3,308	-190
Other types of fuel, TOE thous.	18.08	18.15	+0.07
Water supply, m3 thous.	410	198	-212
Total, TOE thous.:	40.8	39.9	-0.9

In order to ensure implementation of the Program in the Executive Body and in the branches of PJSC IDGC of Center and Volga Region according to Order of JSC Russian Grids No. 561 dated September 9, 2013, "On Operations on Energy Saving and Energy Efficiency Improvement in JSC Russian Grids", the managers responsible for overseeing the implementation of the Program were appointed and the commissions on energy saving and reduction of energy losses responsible for analysis of implementation of the Programs were established.

In 2012, the energy management system of the Executive Body of JSC IDGC of Center and Volga Region was certified in accordance with ISO 50001:2011. In order to confirm compliance of the energy management system with the standard, the first compliance audit was conducted in March 2013. The audit showed that JSC IDGC of Center and Volga Region had developed, documented, implemented and maintained the energy management system in proper working order in accordance with ISO 50001:2011.

In 2015, as part of the effort to develop and improve the Integrated Management System, PJSC IDGC of Center and Volga Region passed the certification audit and successfully confirmed compliance of its processes for management and provision of services related to power transmission and distribution, as well as technological connection of consumers with international standards ISO 9001:2008, ISO 14001:2004, OHSAS 18001:2007, ISO 50001:2011.

In accordance with the Program, the following energy saving and energy efficiency improvement targets were adopted:

- energy losses during transmission and distribution in the power grids;
- consumption of energy resources for economic needs;
- availability of up-to-date energy metering devices in the retail market in accordance with the

Program for Metering Systems Development. Numerical values of the Program's targets are set for 2015-2019.

Planned and actual values of target indicators for 2015

Indicator	UOM	2015	
		Planned	Actual
Needs for domestic substations power consumption	mln kWh	121.55	94.34
Resource consumption for economic needs, including by types of resources	RUB mln	816.91	814.41
fuel and power, including:	TOE thous.	40.91	39.95
	RUB mln	807.83	806.91
	TOE per m ² of floor space	0.064	0.063
electric power	mln kWh	105.69	101.51
	RUB mln	333.1	297.85
thermal energy	Gcal	41,107.04	39,029.07
	RUB mln	66.61	61.10
natural gas	thous. m3	3,497.92	3,307.68
	RUB mln	17.25	15.62
other (diesel fuel, kerosene, gasoline, etc.)	TOE thous.	18.08	18.15
	RUB mln	390.16	432.35
hot water supply	thous. m3	3.39	2.63
	Gcal	0.00	0.00
	RUB mln	0.00	0.03
cold water supply	thous. m3	406.44	195.36
	RUB mln	9.08	7.47
Availability of up-to-date energy metering devices in the retail market	%	9.68	9.68

Other types of energy resources were not used by the Company in 2015.

The program consists of activities with direct costs and activities with a concomitant effect.

Activities with direct costs funded from OPEX must have a simple payback period not exceeding 10 years; if the activity is funded from CAPEX, IRR should be less than 15%.

Measures Aimed at Energy Saving and Energy Efficiency Improvement

In 2015, as part of measures to reduce energy losses, TMGe energy saving transformers with reduced no-load loss and short circuit loss were installed as well balance-unbalance transformers with a Y/Z circuit. The actual effect of the implementation of these measures was 469.9 thousand kWh, which corresponds to the target values. In monetary terms the actual effect amounted to RUB 891 thous., which is RUB 56 thous. less than the target values. This is due to the fact that the actual tariffs on purchase of power losses deviated from the target ones.

Key target arrangements to ensure the reduction in resources consumption for economic needs are as follows: hermetic sealing and insulation of buildings; replacement of incandescent and fluorescent bulbs in lighting systems by LED ones; and replacement of obsolete and worn out electric boilers by modern ones with automatic control.

In 2015, the following measures were implemented to reduce consumption of fuel and energy resources for production and economic needs:

- reduction in electric power consumption: while the target values were 0.907 mln kWh in natural units and RUB 2.3 mln in monetary terms, the actual values were 0.934 mln kWh in natural units and RUB 2.4 mln in monetary terms. Additional savings resulted from an increase in the volume of works aimed at modernization of lighting facilities and replacement of windows.

- reduction in thermal energy consumption: the actual values were 166.9 Gcal in natural units and RUB 0.2 mln in monetary terms, which corresponds to the target.

- reduction in natural gas consumption: while the target values were 5.7 mln cubic meters in natural units and RUB 0.028 mln in monetary terms, the actual values were 6.11 thous. cubic meters in natural units and RUB 0.03 mln in monetary terms. Additional savings resulted from an increase in the volume of works aimed at replacement of windows.

- reduction in water consumption: the actual values were 0.958 thous. cubic meters in natural units and RUB 0.03 mln in monetary terms, which corresponds to the target.

The total costs of implementation of measures, including direct costs, amounted to RUB 24.4 mln.

2.3.2. Reactive Power Flow Management

Development and implementation of the arrangements to manage reactive power flows in the power grids of the branches of PJSC IDGC of Center and Volga Region are carried out in accordance with Company Standard of PJSC IDGC of Center and Volga Region STO 01-011-2013 Requirements for Organization of Reactive Power Flow Management.

In 2015, approved target Programs for Reactive Power Flow Management in the power grids of the branches were implemented as follows:

- 7 organizational and regulatory documents aimed at improving the reactive power management processes were prepared and issued;

- the status of reactive power correction units (capacitor banks) installed at substations of the branches and at power consumers' facilities was assessed;

- written appeals regarding 27 consumers were executed and forwarded to the regional authorities of Rostekhnadzor (Federal Environmental, Industrial and Nuclear Supervision Service);

- the issue of 6 consumers who failed to follow the active and reactive power consumption ratio (reactive power rate for an electrical unit) within the values established in the contract for power supply was discussed at the regional headquarters' meeting on safety of power supply to consumers;

- for 4 consumers, the requirements to install new reactive power correction units and recover the existing ones to maintain the active and reactive power consumption ratio (reactive power rate for an electrical unit) within the values specified in the power supply contract, are presented in the programs for energy saving and energy efficiency improvement;

- 47 workshops with managers and professional consumers were held on the topic: Reactive Power and its Role in the Power Supply Economics and Reliability;

- 'Reactive Power' pages were created on the branches' websites under the 'Useful Information' tab, which contained materials explaining the physical nature of reactive power, as well as the role of correction units in increasing electric line capacity and reducing energy losses;

- monitoring and inspection of the actual status of reactive power correction units in the electrical units of 376 consumers were carried out;

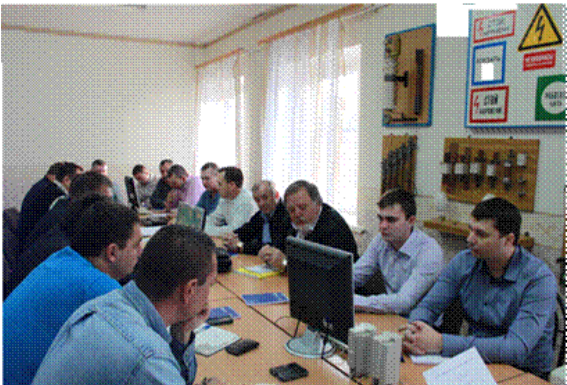
- 110 statements and 294 letters were executed and forwarded to consumers with recommendations on how to commission existing reactive power correction units; carry out maintenance of reactive power correction units; bring them in correspondence with the target values; and install new units to adjust the active and reactive power consumption ratio to the standard one;

- 848 Terms of Reference were amended to include the requirements for maintaining the power rates at the specified level;

- metrological verification of 858 reactive power/energy metering devices and audit (calibration) of 1,858 devices were carried out;

- 33 new multifunctional metering devices were installed at the branches' substations, and existing active power metering devices were replaced with 146 multifunctional metering devices at SS and hydraulic power units with consumers;

- a capacitor bank with the capacity of 35 MVar was commissioned at Efremov SS of Tulenergo Branch;



Photographs of participants in workshops at Ivenergo, Kalugaenergo, Kirovenergo and Ryazanenergo.

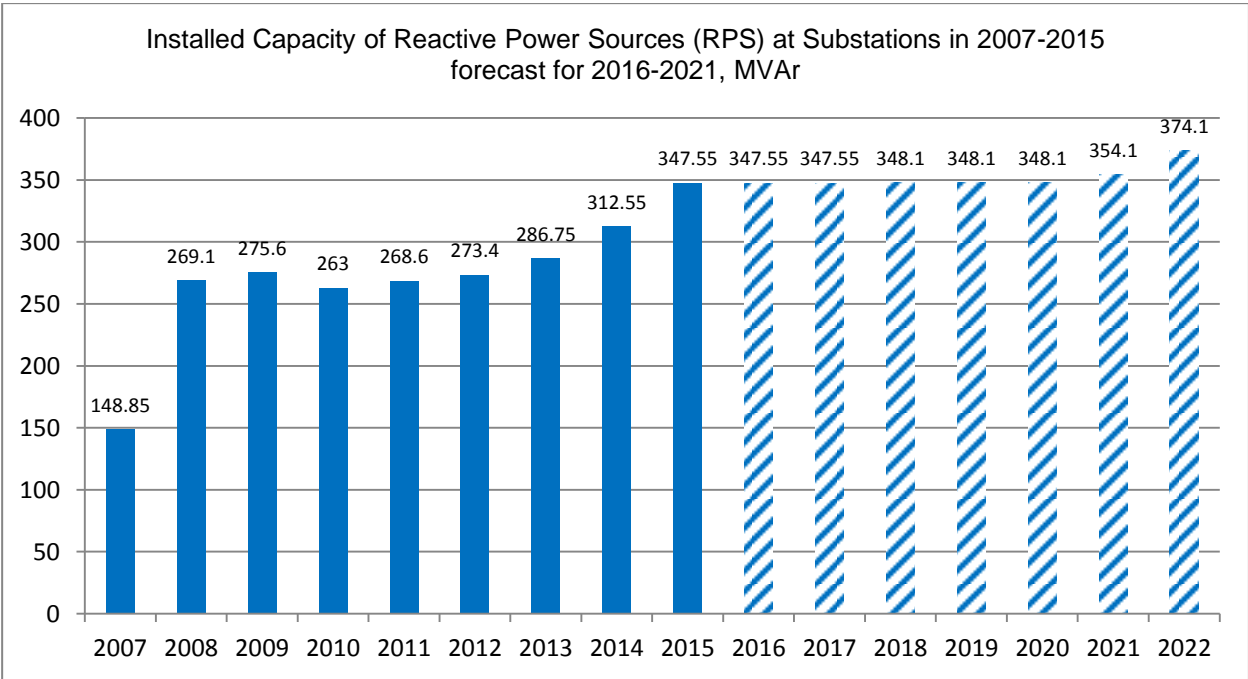




Photo of a 110 kV capacitor bank at Efremov SS (Tulenergo)

Year	Installed Capacity of Reactive Power Sources (RPS), MVar	Note
2007	148.85	
2008	269.1	
2009	275.6	
2010	263	110 kV capacitor bank with 52 MVar (Furmanov SS, Ivenergo) and 6 kV capacitor bank with 5 MVar (Tulenergo) decommissioned
2011	268.6	
2012	273.4	
2013	286.75	
2014	312.55	Including commissioning of 110 kV capacitor bank at Kasimov SS (+30 MVar) and remarking of 10 kV capacitor bank (-4.2 MVar) at Ivanovskaya-7 SS and Gavrilov Posad SS (Ivenergo)
2015	347.55	Including commissioning of 110 kV capacitor bank at Efremov SS (+35 MVar)
2016	347.55	
2017	347.55	
2018	348.1	Including planned commissioning of 10 kV capacitor bank (+0.55 MVar) at Berezovo SS (Vladimirenergo)
2019	348.1	
2020	348.1	
2021	354.1	Including planned commissioning of 10 kV capacitor bank (+6.00 MVar) at Oktyabrskaya SS (Tulenergo)
2022	374.1	Including planned commissioning of 110 kV capacitor bank (+20 MVar) at Uzlovaya SS (Tulenergo)

The deliverables of the operations performed are as follows:

- the power of capacitor banks installed at the branches' substations in 2015 increased by 35 MVar (11.2%) and amounted to 347.55 MVar;

- 506 capacitor banks with 0.4-10 kV were commissioned at the consumers' electrical units with the total capacity of 52.09 MVar.

The capacity of consumers' capacitor banks amounted to 1,814.9 MVar, including those with 1,581.54 MVar in good operating condition.

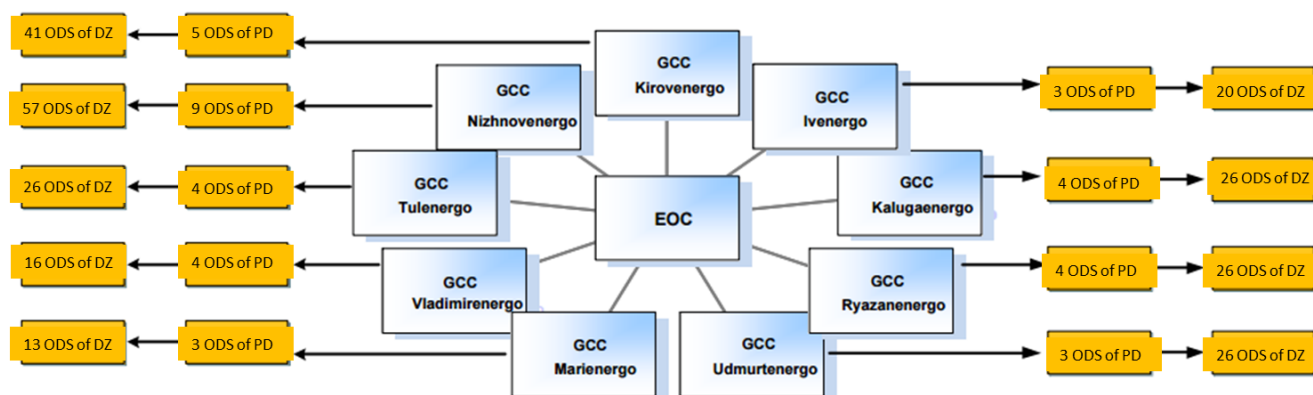
In 2015, the Company's capacitor banks generated 1,486,172 MVar/h of reactive power, which is 6% higher than the target.

The total economic effect of implementing the arrangements of the Program for Reactive Power Management and Operations of Capacitor Banks was 4,734.75 thous. kWh, or RUB 9,128.10 mln.

The total costs of implementing the Program for Reactive Power Flow Management of PJSC IDGC of Center and Volga Region amounted to RUB 1,005.9 thous. in 2015.

2.3.3. Operative and Technological Process Control

The structure of the operative and technological process control (OTPC) of the Company consists of 9 Grid Control Centers (GCC) established in each of the branches, 39 Operative Dispatch Services of production departments and 251 Operative Dispatch Services of distribution zones established on the basis of the power grid areas.



Within development and improvement of the OTPC system, the distribution grid complex established GCCs in all branches, which played the role of centers of responsibility with OTPC functions, and formed effective interaction with external counterparties.

All GCCs of the branches perform operational and non-operational functions, including operational management of the power grid complex equipment and support of information analytics. Implementation of the plans for operational functions expansion (acceptance of equipment for management/maintenance) will enable transition to 'one-stop shop' operations with the dispatch centers of JSC SO UES, thus increasing reliability and quality of power supply to consumers and minimizing the period for liquidation of electric energy system disturbances and recovery of power supply to consumers.

The Emergency Operations Center operates in the Company on a 24-hour basis to ensure prompt receipt of operational and reporting information on emergencies, electric energy system disturbances, effects of unfavorable weather and natural disasters, fires and accidents at the facilities, as well as centralized control over resources engaged in emergency repair operations, coordination of activities of the branches and third-party entities in case of emergencies and wide-scale electric energy system disturbances, organization of interaction with the branches, authorities, regional and local EMERCOM structures and other entities in the power industry.

The Emergency Operations Center is equipped with necessary office machines, communications facilities and collective display devices, as well as informational materials that enable employees to successfully achieve the Company's objectives.

2.3.3.1. GCC. Equipment of Dispatch Points

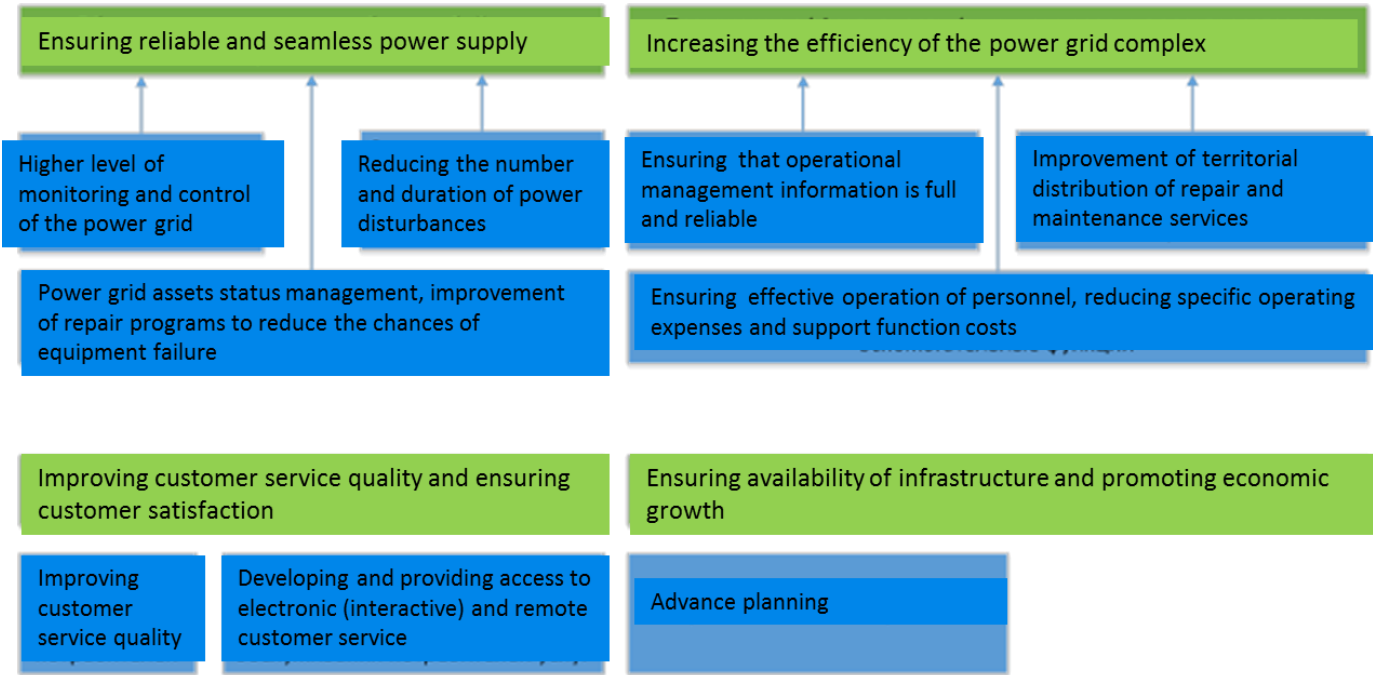
Grid Control Centers are equipped with up-to-date software and hardware complexes and collective display devices. This equipment enables operational employees to perform the following tasks in real time and on a 24/7 basis: track operation modes of equipment installed at the branches' power facilities; control equipment installed at the power grid complex facilities with telemetry systems connected to the software and hardware complex of a GCC; control voltage levels, equipment load and power flows in 35 kV and higher distribution grids.

2.3.4. Information Technologies and Telecommunications

PJSC IDGC of Center and Volga Region is a modern energy company whose effectiveness strongly depends on the application of information technology and automation systems. In modern conditions the operation of the electric grid industry as a whole and PJSC IDGC of Center and Volga Region in particular cannot be organized without such elements as:

- automated systems of technological process control, which perform automated collection and processing of information;
- automated business management systems, which ensure the efficiency of staff;
- communication systems and IT infrastructure, which support the functioning of all the above-mentioned automation mechanisms and ensure uninterrupted communication between all employees of the company.

Information technologies play a crucial part in the achievement of key business objectives of the company, such as ensuring reliable and seamless power supply, improving the quality of service and ensuring customer satisfaction. The expanding scope of process automation also increases the efficiency of the power grid complex.



Activities related to IT

The Company has been continuously introducing new IT projects, developing existing ones and supporting those that have already been implemented. These activities have been carried out in accordance

with the Strategy for Information Technologies and Telecommunications (hereinafter – the ITT Strategy). This strategy defines the goals of information technology development; describes strategic initiatives and measures to achieve these goals approved by the Board of Directors of PJSC IDGC of Center and Volga Region on December 10, 2014; and sets out the principles of building IT given in the following table.

IT spheres	Description of the principle of development
IT solutions	<ul style="list-style-type: none"> • Continuous interaction with business units and customers for IT services in the Company. • Standardization of IT processes across all divisions of the Company, including production services. • Development and implementation of standards of project program management and project portfolio management. • Rethinking the importance of the process of IT management as a service and new positioning.
IT organization	<ul style="list-style-type: none"> • Centralization of the IT function and establishment of effective mechanisms to coordinate the activities of all IT departments of the Company. • Development of optimal models of interaction between Company units, which will enable them to jointly solve issues related to implementation and operation of IT solutions. • Creation of a multi-functional, flexible model of IT services management.
IT processes	<ul style="list-style-type: none"> • Implementation of effective solutions to control the execution of IT processes for the provision of IT services. • Implementation of processes and solutions aimed at improving the level of knowledge and competence of employees of the first hotline. • Ensuring compliance with regulations on the IT process model (standards, procedures, methods).
IT services	<ul style="list-style-type: none"> • Providing a transparent mechanism for rendering IT services and controlling their quality. • Ensuring continuous improvement and increase in efficiency.
IT infrastructure	<ul style="list-style-type: none"> • Establishment of a centralized integrated monitoring system. • Creation of a unified directory service, unification of basic network services and applications. • Support of business processes for technological connection at the level of branches, creation of new jobs. • Providing users with reliable access to centralized resources by improving the reliability of network equipment. • Interaction with adjacent units to facilitate transition to standard server platforms and monitoring systems, standardization of communication channels and transition to IP telephony.
IT security	<ul style="list-style-type: none"> • Protection of information and telecommunications infrastructure as well as technological infrastructure. • Protection of automated process control systems. • Protection of restricted information.

	<ul style="list-style-type: none"> • Organization and management of user access. • Providing public key infrastructure. • Monitoring of the security status of information and telecommunications infrastructure.
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In 2015, the Company expanded the functionality of ADPCS (DMS) in the branches of PJSC IDGC of Center and Volga Region to the level of up-to-date DMS systems for power distribution control on the basis of modelling of the power grid modes.

The Company was pursuing the following objectives: to improve efficiency of power transmission and distribution; decrease technological losses through optimizing the operating modes of power grids; reduce the period for restoration of power supply to consumers by providing dispatchers with a tool increasing the speed and reliability of decision-making in taking equipment out of service for repair and in case of emergencies; invest in teleautomation in an effective way; and improve the quality of planning of the grid development.

In the reporting year, the Company implemented a project to expand the functionality of its customer relationship management (CRM) system and remote service portal, thus expanding the list of services published on the website of PJSC IDGC of Center and Volga Region.

Implementation and expansion of the system enabled the Company to do the following:

- To form a single information space for customer service across all communication channels in the operations area of the Company;
- To ensure registration, accounting, maintenance and subsequent analysis of all incoming inquiries regardless of their classification attributes;
- To optimize the processes of interaction with customers through centralization of customer interaction services and involvement of all available remote communication channels;
- To implement self-services for the Company's customers in order to reduce non-core workload on key personnel, improve availability of services and reduce costs of provision of standard services.

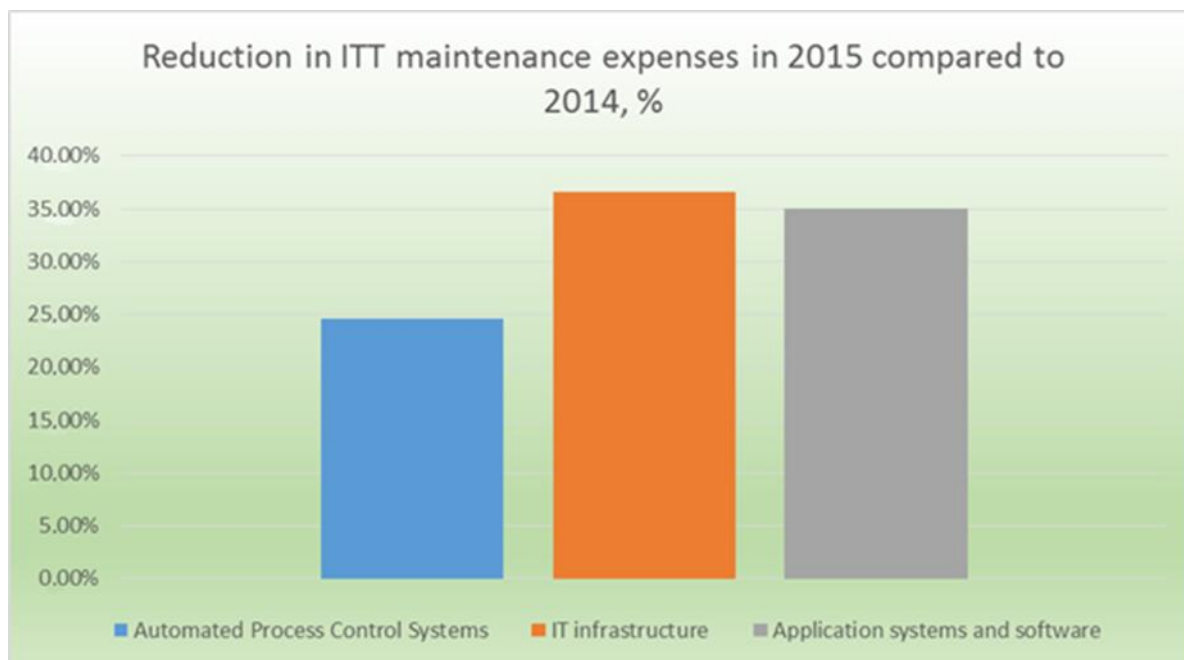
The Company launched a project to implement the HR module on a single ERP platform using a single methodology across all branches in order to increase the efficiency of staff by eliminating legacy systems and improving the transparency and quality of work.

The Company fully launched software designed for audio and video conferencing from workplaces of the employees of the Executive Body and the branches, including access of the Executive Body to the VC studio. This software enables the branches to conduct videoconferencing between the Executive Body and production departments of the Company without additional hardware costs. Implementation of the technology reduces travel costs through conducting seminars, presentations, training and testing with no need for on-site presence.

The Company is implementing a software IT infrastructure monitoring system. The monitoring system includes all the components of IT infrastructure, which in itself significantly reduces the number of failures due to the implementation of mechanisms for proactive monitoring and prevention of failures. In addition, the system significantly reduces the recovery time, as it helps to locate the failure promptly.

The Company implemented a unified software system for rendering services to users - ServiceDesk. This software is produced in Russia, which corresponds to the state strategy of import substitution. The system improves control and management of the process of support of the IT infrastructure.

Integrated development of ITT under a single strategy helped significantly reduce the costs of ITT operation in 2015.



Main promising areas of ITT activity:

- further development of the system of customer relationship management in terms of expanding the functionality of online services and improving the quality of services provided;
- implementation of the ITT strategy of the Company;
- development of a multi-service network of communications and data transmission with a view to synchronizing requirements to the channels of communication and data transmission set by various functional areas in order to minimize the costs of their modernization and construction;
- standardization and unification of hardware and software solutions related to telecommunications and business applications to improve the quality of work;
- continuing development based on import substitution and cost reduction.

2.4. Technical Policy

The Regulations of JSC Russian Grids on Unified Technical Policy in the Power Grid Complex (hereinafter, the Regulations) are the principal document regulating the technical policy of the Company.

The Regulations were approved as an internal document of the Company at the meeting of the Board of Directors of the Company (Minutes No. 145 dated December 30, 2013). By Order No. 91 dated February 17, 2014, the Regulations were registered in the quality management system with a sequence number assigned, and published on the Company's website in the 'Technical Policy' section: http://www.mrsk-cp.ru/production_activities/technical_policy/rosseti_technical_policy_thesis/.

The purpose of the technical policy is to identify key industrial directions that enhance reliability and efficiency of the power grid complex in the short and medium term, at the same time ensuring proper industrial and environmental safety, based on innovative development principles that provide non-discriminatory access to power grids for all market participants.

Objectives of the technical policy:

- increasing preparedness of the power grids for power transmission and distribution to ensure reliable power supply to consumers, functioning of the wholesale and retail power markets, and concurrent operations of UES of Russia and foreign power systems;

- ensuring power delivery by power generating facilities to the grid;
- creating conditions for non-discriminatory access to power grids for the participants in the wholesale and retail markets given appropriate technical conditions and their compliance with the established rules of access;
 - developing the facility diagnostic system and improving its efficiency, with subsequent use of the outcomes in the algorithms of functioning of the automated systems of operational and emergency control;
 - developing the structure of operative and technological management of the facilities, as well as participation in managing the operation modes of flexible elements of grid infrastructure and power consumers;
 - developing information and telecommunications infrastructure, enhancing monitoring of the power grid and the quality of information exchange with JSC SO UES and other participants in the wholesale and retail power markets;
 - reducing operating costs and capital spending on the facilities by optimizing technical solutions during preparation of project documentation, using up-to-date equipment and building structures, and reducing spaces occupied by the power grid facilities;
 - enhancing energy efficiency of technologies, equipment, materials and systems applied, developing an energy saving program and reducing technological losses of power in the grids;
 - handling the trend of aging of fixed assets of power grids and equipment by means of modernization, optimized reconstruction and technical re-equipment, as well as by using equipment with an extended life cycle;
 - automation of substations, introducing and developing up-to-date systems for technical condition control, automated diagnostics and monitoring of process equipment, systems of relay protection and emergency automation, communication systems, engineering systems, commercial and technical energy metering, as well as transition to digital substations without permanent operating personnel;
 - improving operation, maintenance and repair technologies; training operating and maintenance personnel with regard to introduction of new technologies and innovative equipment;
 - minimizing environmental impact of construction, reconstruction, operation and maintenance of the facilities;
 - encouraging production in the territory of the Russian Federation of up-to-date types of equipment, building structures, and enhancement of scientific, technical and design capabilities.

Supplement No. 3 to the Annual Report lists the key regulatory documents governing the Company's activities.

Since 2007, the Company has had a standing advisory body, namely the Technical Council.

The Technical Council considers issues related to control and management of the technical policy implementation, issues of power grid operations, coordination of development and introduction of innovative equipment and technologies, etc.

The Technical Council acts under the Regulations on the Technical Council of JSC IDGC of Center and Volga Region P-01-001-2013 enacted by Order of the Company No. 350 dated July 5, 2013.

The Technical Council consists of S.T. Andrus, First Deputy General Director - Chief Engineer of the Company, who acts as the Chairman, and his deputies, heads of structural units of the Technical Unit of the Executive Body, first deputy directors (deputy directors) - chief engineers of the branches - 28 persons in total.

Detailed information on the composition of the Technical Council and a list of the main issues addressed in 2015 are provided in Supplement 3 to the Annual Report.



**Technical Council
of PJSC IDGC of Center and Volga Region
December 8-9, 2015
Kirov**

Members of the Technical Council at an extended meeting of the Technical Council held at Kirovenergo Branch office with the participation of Human Resources Unit representatives and heads of educational centers, December 2015

Reliability Assurance

2.5.1. Reliability Assurance

Reliability of power supply to customers is a strategic development priority, being a key indicator of a grid company's performance.

To assess the efficiency of management of the distribution power grid system, key performance indicators (KPIs) are used, including those related to reliability:

- Average duration of power transmission interruptions (the ratio of actual total duration of all interruptions of power transmission to consumers to the maximum points of connection, for the calculation period, of service consumers to the power network).
- Prevention from exceeding the given number of accidents (the accidents are taken into consideration if they match a number of principal criteria of Clause 4 of the Rules for Investigating the Causes of Accidents in the Power Industry).

The Company achieves the above KPIs every year.

In 2015, as compared with the previous years, disturbance ratio was decreasing consistently. This was due to the timely and effective measures devised on the basis of an analytical survey of the causes of disturbances (accidents). The implementation of the Company's repair and investment programs played an important part in this process.

Average length of consumer power supply interruptions 2013-2015 (diagram)

	2013	2014	2015
Average length of consumer power supply interruptions, hours	3.87	3.62	3.61

In 2015, most disturbances of the power system were due to the following reasons:

- Atmospheric (lightning) overvoltage;
- Forest trees falling on the power transmission lines;
- Aging insulation and equipment materials.

2.5.2. Repair and Maintenance

Repair Program

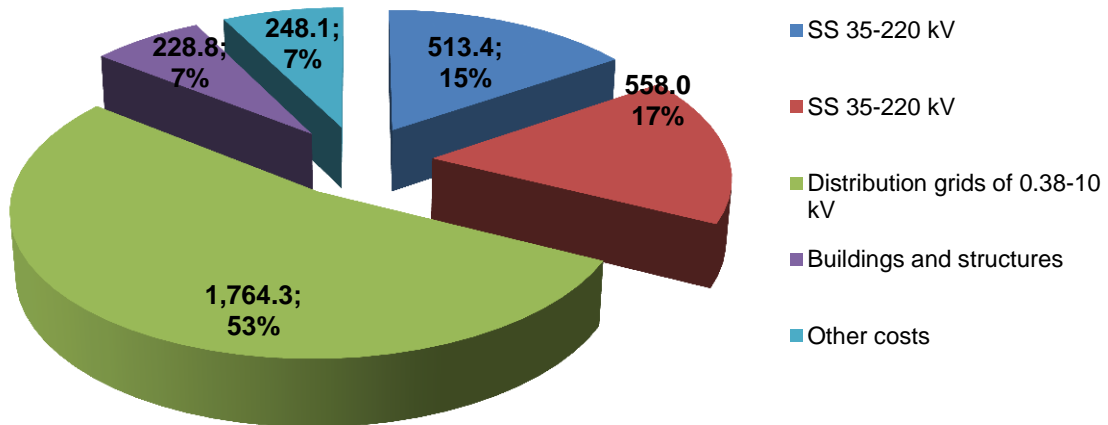
As of the end of 2015, PJSC IDGC of Center and Volga Region accomplished its key task of providing reliable and uninterrupted power supply to consumers. The repair program of the Company was fully implemented in 2015.

Costs of the fixed assets repair totaled RUB 3,312.6 mln in the reporting year (non-contracted works - RUB 1,959.1 mln, contracted works - RUB 1,353.5 mln).

RUB 3,312.6 mln

– costs of power facilities repair
in 2015

Costs of power facilities repairs in 2015, (RUB mln)



Repair costs by power facilities group in 2010-2016, RUB mln

	2013	2014	2015	2016	2015/2014 (absolute increase)	2015/2014 (relative increase), %
SS 35-220 kV	488.7	492.4	513.4	542.4	21	4
OL 35-220 kV	493.9	551.6	558.0	475.1	6.4	1.1
Distribution grids 0.38-10 kV	1,366.8	1,418.6	1,764.3	1,822.0	345.7	24
Buildings and constructions	222.8	201.4	228.8	189.3	27.4	14
Other	226.9	229.0	248.1	243.9	19.1	8

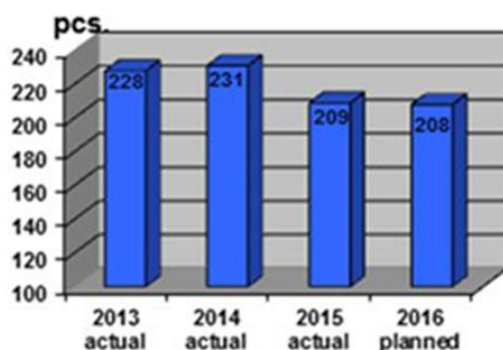
Repair program for 2015 in physical indicators

Works	Unit	2015
Overhaul of 35-110 kV substations	pcs.	209
Thorough (medium) maintenance of 35-220 kV circuit breakers	pcs.	602
Clearing and Widening of OL Routes 0.4-220 kV	ha	14,755
Repair of 6-10/0.4 kV transformer substations (distributing points)	pcs.	7,711
Replacement of defective poles of 0.4-110 kV overhead lines	pcs.	26,659

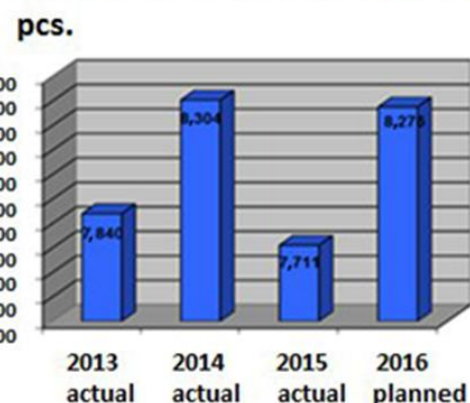
In terms of physical indicators the repair program for 2015 was implemented according to plan. All works related to overhaul and thorough maintenance of 35-110 kV substations, 6-10 kV transformer substations and 0.4-110 kV overhead lines were completed. Planned works on clearing and widening of routes on 0.4-220 kV overhead lines and scheduled works on maintaining RPA and communication devices were completed as well.

In accordance with long-term schedules and technical condition, the capital equipment was overhauled:

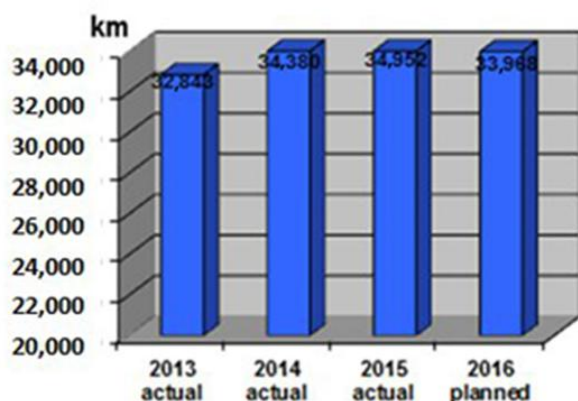
Overhaul of 35-110 kV substations



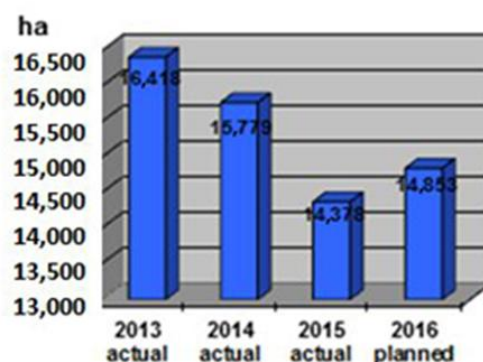
Thorough Maintenance of TSS (DSS) 6-10/0.4 kV



Thorough Maintenance of OL 0.4-110 kV



Clearing and Widening of OL Routes 0.4-220 kV



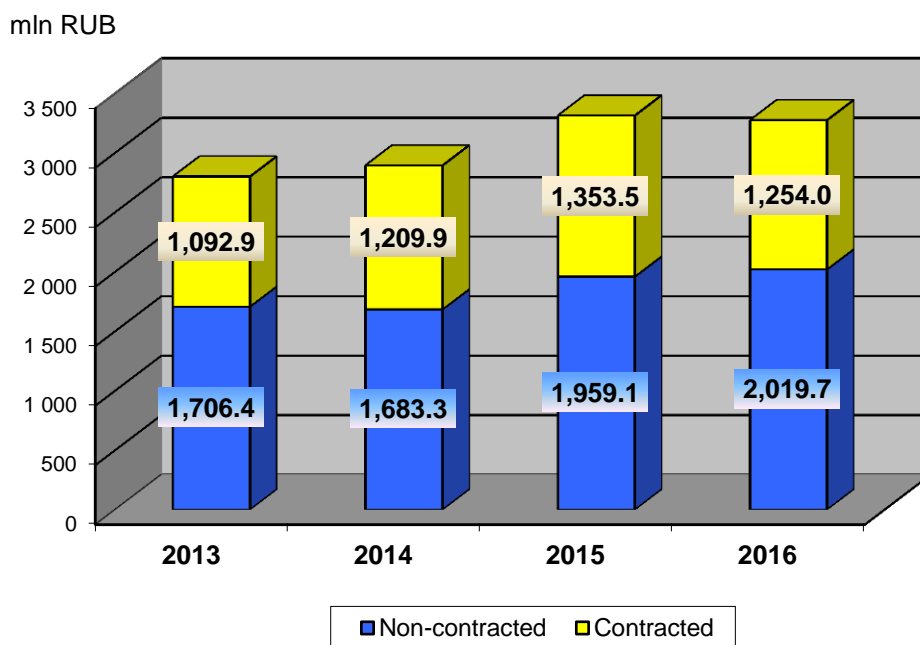
Changes in the volume of equipment overhaul were conditioned by natural fluctuations due to frequency of repair works.

Analysis of production assets repair costs, RUB mln

Repair costs	2013 actual	2014 actual	2015 actual	2016 planned	2015/2014 (absolute increase)	2015/2014 (relative increase), %
Total	2,799.3	2,893.2	3,312.6	3,273.7	419.4	14
Non-contracted	1,706.4	1,683.3	1,959.1	2,019.7	275.8	16
including materials	907.0	861.5	1,042.3	1,103.5	180.8	21
Contracted	1,093.0	1,209.9	1,353.5	1,254.0	143.6	12

The relative increase in the implementation of the repair program in 2015 was 14%. The increase in the actual volume of completed repair works was related to the elimination of defects that hindered operation during the autumn and winter peak period and the implementation of emergency works. Following the results of a diagnostic examination, the Company carried out additional thorough maintenance of power transformers, breakers, circuit breakers, replacement of high-voltage bushings and stick-pedestal insulators at SS 35-110 kV and thorough maintenance of 6-10 kV transformer substations

Dynamics of repair costs in 2013-2016



2.5.3. Quality Policy

In 2015, PJSC IDGC of Center and Volga Region continued to enhance operational efficiency and reliability of energy supply to consumers, including improvement of operations and management of the power grid in the following spheres:

- Quality management system;
- Occupational health and labor safety system;
- Environmental management system;
- Energy management system.

In 2015, the Company's Integrated Management System underwent the first compliance audit to confirm its conformity to requirements of international standards ISO 9001, ISO 14001, ISO 50001 and OHSAS 18001. All offices of PJSC IDGC of Center and Volga Region with the area of certification in "Process Management and Provision of Services: Power Transmission and Distribution and Technological Connection of Consumers" underwent the procedure.

In order to enhance reliability and efficiency of power production, develop power transmission and technological connection services, and improve management of business processes, the Company devised and updated 75 internal regulatory documents in 2015. They lay down the Company's common standards on the management and development of business processes with the application of the Integrated Management System instruments in all offices of the Company.

The principal constitutive document of the Company's Integrated Management System is the Policy on Quality, Occupational Health, Labor Safety, Environment Protection and Energy Management (hereinafter - the Policy). Under the Policy, the Company's management focuses on increasing energy saving and energy efficiency, improving the quality of customer service and maintaining innovative development of the Company.

In 2015, the Company plans to further develop the Integrated Management System by maintaining certification and continuing the standardization of operations.

2.5.4. Emergency Prevention and Response at Power Distribution Grid Facilities

To improve stable operation of the distribution power grid and minimize risks of emergency situations (ES) of natural and technogenic character, the Company developed and implemented a set of basic and additional measures, including:

1. Widening and clearing of OL routes 0.4-220 kV with the total area of 14,755 ha.
2. Installation of reclosers to create loop systems and scheme and operating conditions for reliable power supply to consumers: in 2015, the Company installed 74 reclosers, and 41 OL 6-10 kV were sectioned with them. The total number of reclosers was 568. 359 OL 6-10 kV were sectioned with them.
3. Additional purchase of reserve sources of power supply (RSPS): in 2015, the Company purchased 5 units, including 3 units of 30 kW and higher. Altogether, the Company has 730 RSPS (with the total capacity of 16.9 mW), 6 mobile modular substations (MMSSs) of 110/10(6) kW (with the total capacity of 125 MVA) and 2 10 kV mobile complex distribution units for outside installation.
4. New-generation light facilities (factory-supplied) comprise 35 light towers and 73 petrol generators with spotlights.
5. Communication and monitoring facilities: the Company has 5,018 radio stations and 103 satellite phone units. The Company continues to develop its Traffic Monitoring System: 1,250 team cars are equipped with GPS devices, 1,158 team cars are equipped with dash cameras. The Traffic Monitoring System allows tracing the location of vehicles of mobile crews, emergency crews and repair crews in real-time.
6. Replenishment of special all-terrain vehicles (ATV): the Company purchased 68 units of vehicles (in 2008-2015, the car fleet was renewed by 35%, and in total it comprises 6,033 units). The Company has 8 mobile trailers (3 Berloga trailers with 8 beds each and 5 portacabin hostels with 4 beds each).
7. To minimize the emergency recovery works (ERW) period, the Company formed 86 mobile teams (MTs), which are in a state of constant preparedness to carry out emergency recovery works within 1,000 km. Mobile teams comprise a total of 529 employees and have 183 units of equipment at their disposal (175 auto- and 8 mobile accommodation units). Mobile teams are equipped with trained staff, packed meals, small tools and equipment, reserve sources of power supply (RSPS), financial resources, etc. Time of departure from the moment of receipt of the decision does not exceed 4 hours during working hours and 8 hours during non-working hours (2 and 4 hours, respectively, if DGCs operate in high alert regime or special working regime). During preparation for mass works and for the autumn and winter season readiness and manning checks are carried out.
8. Contract work. To promote cooperation on prevention and liquidation of emergency situations at power grid facilities in the operations area of PJSC IDGC of Center and Volga Region, the Company concluded 337 agreements: 3 with branches of PJSC FGC UES - MESs (of Center, Volga and Ural); 8 with IDGCs (JSC IDGC of Ural, JSC IDGC of Volga, JSC IDGC of North-West, JSC IDGC of Center, JSC IDGC of South, JSC Tyumenenergo, JSC Moscow United Electric Grid Company and JSC Kubanenergo); 11 with regional centers and chief directorates of EMERCOM of Russia; 9 with state hydro-meteorological monitoring institutions located in the operations area of the Company; 258 with city (district) administration and divisions of EMERCOM of Russia; 28 with contracting organizations; 4 with airlines; and 12 with other entities. For prompt information exchange between the Company and regional centers of EMERCOM of

Russia (Central Division in Moscow and Volga Region Division in Nizhny Novgorod), control divisions are equipped with integrated control systems.

9. Approval of the composition, structure and regulation on the Emergency Response Team (ERT). The Company formed 10 ERTs and provided them with special all-terrain command and staff vehicles (CSV) meant for autonomous operations at ERW locations. CSVs are equipped with cellular, satellite and radio communication devices, with the possibility of mobile conferencing sessions using synchronous satellite communication channels, and with access to corporate telephone and information networks. Employment of all possible communication facilities in one car park is innovative. ERTs of the Company include representatives of PJSC FGC UES branches - MESSs/PMESSs, Regional Centers for Technical Supervision (RCTS) of Volga of PJSC Rosseti.

10. The Company has a system of automatic warning in case of ES and operational automatic SMS-informing. The Company concluded an agreement on cooperation during ES with cellular operators. Under the agreement, the Company can use cell phones in any operator's network regardless of SIM-card.

11. Informing population. Hotline numbers of PJSC IDGC of Center and Volga Region and its branches for questions and requests concerning consumer power supply are given on the websites of the Company and its branches and in the media. In addition, for the purpose of informing the population about electric energy system disturbances and the ERW procedure, the Company sent contacts of the relevant managers and operational personnel to executive authorities and local government bodies.

12. The Company has a system of operational financing in cases of emergency. Heads of the operating units and chief engineers of the branches are provided with corporate bank cards with a certain limit to meet the expenditures on essential needs.

13. The procedure for creation, storage, use, and replenishment of emergency stock is carried out in accordance with the Rules for Emergency Prevention and Response at Power Grid Facilities of PJSC IDGC of Center and Volga Region; the Company has a 100% emergency stock.

14. While preparing for the autumn and winter season of 2015-2016, the Company successfully implemented a number of important measures to prevent and practice liquidation of emergencies, including the following:

- From February through October 2015, the Company held six command post exercises on organization of ERW and the work of Emergency Response Teams (ERTs) of IDGCs. In the course of joint exercises, the following issues were practiced: interaction with the territorial authorities, EMERCOM of Russia, other energy companies (Territorial Grid Operators (TGOs), PMESSs, Regional Dispatching Offices (RDOs)); minimization of time required for advance of forces and facilities, RSPS connection; assembly and installation of quickly erectable support structures; ways of delivery and assembly of MMSS and MCDUOI; meetings, notification and work of ERTs; deployment of staff cars of branches in the field with functional check of communications facilities, kitting and equipment; functional check of satellite communications; preparation of ERW plan and documents required in accordance with the ERT Regulation, the Regulation on Organization of ERW and the Regulation on Operational Information Transmission.

15. Personnel training in civil defense and emergency protection was carried out under the current regulatory documents. The following methods and techniques were used in the training process: educational classes, theoretical and practical training, organization of drills and training programs. The works were carried out under the approved Program of Key Measures to Ensure CD, Protection against ES of Natural and Technogenic Character and Fire Protection for 2015. IDGC branches have 28 special classes devoted to CD and ES, stands devoted to CD and protection from ES, tutorials on IPG and radiation and chemical survey devices, and electronic training materials. The organization of IDGC personnel training in CD and ES

protection meets the necessary requirements. Training of existing personnel was held in regional training centers (TC) of respective branches, at CD courses and in the workplace. The organization of IDGC personnel training in CD and ES protection meets the necessary requirements.

Special Periods (Liquidation of Large-Scale Technological Interruptions, Accidents/Emergencies in the Company)

The Company annually develops and implements measures to ensure stable functioning of power grids in special periods (autumn and winter, thunder, flooding, fire hazardous seasons). In accordance with regulatory and administrative documents, to prevent technological interruptions (TI), liquidate ES and minimize the time of recovery of power supply to consumers, the Company effectively used the following instruments in the reporting year:

- Procedure for ERW Organization at the Power Grid of the Company;
- Scheme of Response of Mobile Teams, Emergency Response Crews, Repair Teams of the Company in Emergency Situations;
- Measures and Actions of Emergency and Repair Personnel to Ensure Readiness for Emergency Liquidation Works within 2 Hours from the Beginning of an Emergency Situation;
- Algorithm of ERW at Power Grid Facilities of the Company;
- ERW Plan in case of Emergency at the Power Grid of the Company;
- Key Functionality of Groups within the ERT of the Company/Its Branches;
- Scheme of Interaction between ERT Groups of the Company during ERW Organization and Implementation.

In special periods of 2015, the Company ensured reliable power supply to customers and minimum time of power disturbances liquidation. (The average duration of technological disturbances in 2015 was 3.5 hours).

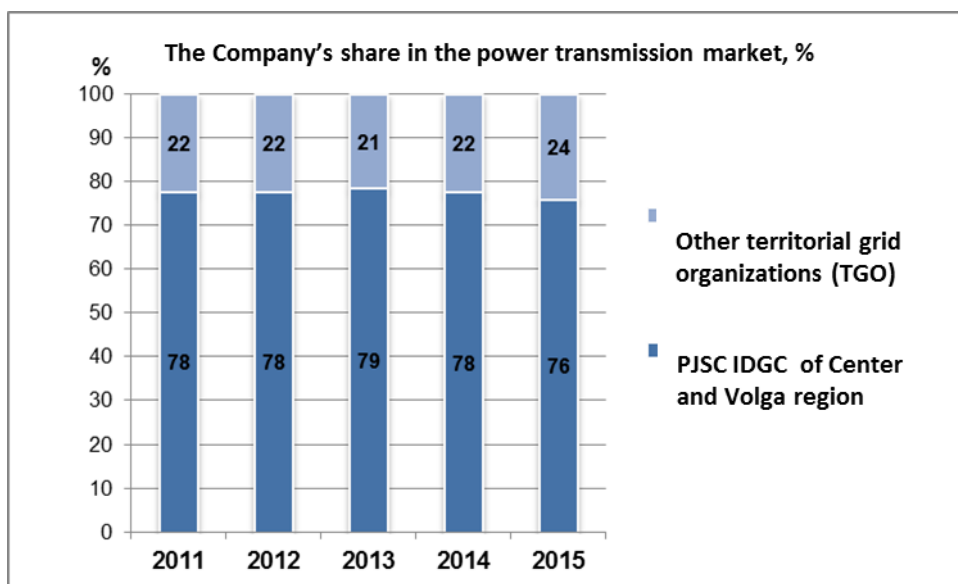
3. Operating Performance

3.1. Overview

3.1.1. Overview of the Company's Core Activities.

The core business of PJSC IDGC of Center and Volga Region includes:

- **Power transmission services** using the power grid facilities of the Company (hereinafter, the grids) with a voltage ranging within 220--0.4 kV (the facilities are owned by the Company or belong to it on other legal grounds).



- **Rendering the services of technological connection** to the Company's power grids. The share of PJSC IDGC of Center and Volga Region in the technological connection market in the footprint area is 90%.
- **Other Activities.** Other activities of PJSC IDGC of Center and Volga Region include technical maintenance and repairs of power grid facilities of other entities, power equipment testing, repairs and replacement of power metering devices, property lease, services of advertisement and telecommunications equipment placement at power grid facilities, etc.

3.1.2. Features of the Electrical Grid Facilities as of December 31, 2015

Facilities under the Company's management:

- 1,552 high-voltage supply points with the voltage of 35/110/220 kV, with a total capacity of 29.96 thous. MVA;
- 270.01 thous. km of distribution power grids, including:
 - 262,445 km of 0.4-220 kV overhead electric lines;
 - 7,662 km of cable lines with the voltage of 0.4-110 kV;
- 62,028 transformer substations of 6-35/0.4 kV;
- 572 distributing points of 6-10 kV.

3.2. Power Transmission

The key income-generating activity of PJSC IDGC of Center and Volga Region is power transmission to regional consumers. This activity accounts for 98.6% of the Company's revenue (94% in 2014).

Considerable increase against 2014 is determined by total revenue increase due to the fact that in 2014 PJSC IDGC of Center and Volga Region ceased to perform POLR functions in the Ivanovo Region (since July 1, 2014) and inclusion in the revenue from power transmission services of the share of revenue previously (before July 1, 2014) reported in the accounting statements as the revenue from power sales (in accordance with RAS requirements).

In 2015, 53,535 mln kWh of power were supplied to the Company's grids from the grids of PJSC FGC UES, from power generating companies and related grid companies, in total. The Company transmitted 48,676 mln kWh out of the above amount to consumers and territorial grid companies. Energy losses amounted to 4,860 mln kWh, or 9.08%, of the power supplied to the grids of PJSC IDGC of Center and Volga Region.

Production performance in 2011-2015

Indicator	Unit	2011	2012	2013	2014	2015	2015/2014 (absolute increase)	2015/2014 (relative growth), %
Number of 35 kV and higher SS	pcs.	1,548	1,550	1,551	1,552	1,552	0	0
Capacity of 35 kV and higher SS	thous. MVA	29.35	29.47	29.67	29.82	29.96	0.14	0.5%
Number of TSS (DSS) 6-35/0.4 kV	pcs.	59,621	60,677	61,460	62,149	62,600	451	0.7%
Length of power transmission line circuits	km	263,391	265,477	267,260	268,944	270,067	1,123	0.4%
Length of power transmission line circuits, routes	km	253,106	255,068	256,816	258,408	259,461	1,053	0.4%
Output to grid	mln kWh	59,653	59,683	58,848	54,956	53,535	-1,421	-2.59%
Productive supply	mln kWh	54,299	54,539	53,881	49,882	48,676	-1,206	-2.42%
Total losses	mln kWh	5,354	5,144	4,967	5,074	4,860	-215	-4.23%
Total losses	%	8.97%	8.62%	8.44%	9.23%	9.08%	-0.15%	
Power connected under technological connection agreements	MW	364.09	697.05	1,182.87	1,344.50	1,154.72	-189.78	-14.12%
Number of employees in the power grid complex (payroll)	pers.	22,269	23,334	24,168	22,931	22,824	-107	-0.5%

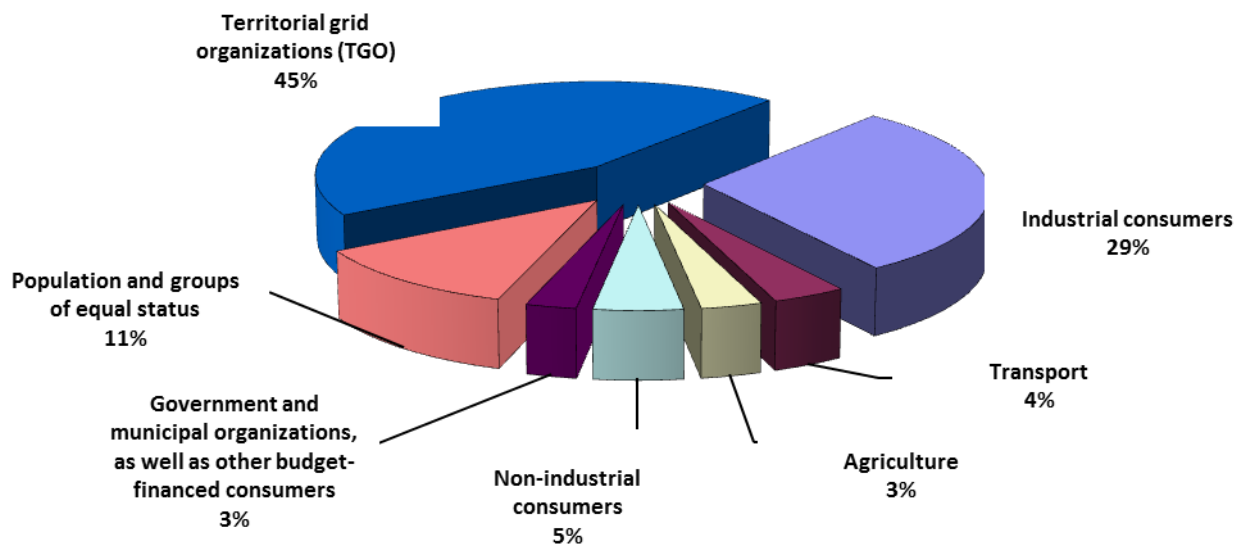
Note: 0.15 p.p.* – 0.15 percentage points.

**Productive supply in 2015
was 48,676**
mln kW

In 2015, losses in the grids amounted to
9.08%
(Russian average is 10%)

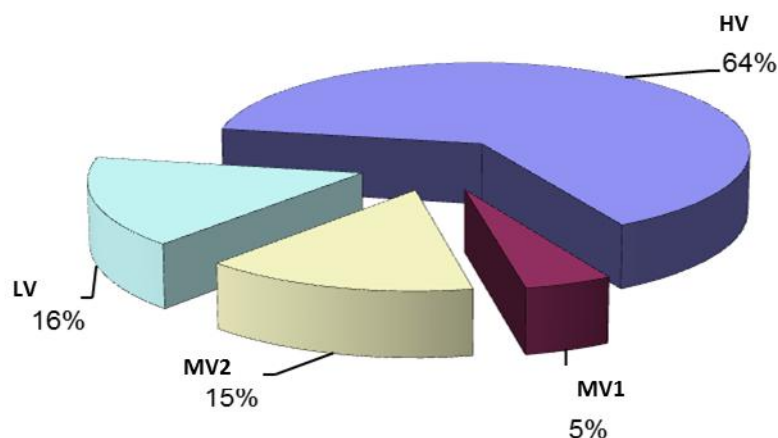
An analysis of the Company's production performance in 2015 is provided in Supplement 4 to the Annual Report.

**The Company's power supply in 2015
by consumer groups**



In 2015, as before, the largest share in the total productive supply from the Company's grids was secured by territorial grid organizations (45%), industrial consumers (29%) and the population (11%). The percentage of consumers by all groups has been stable over the years.

**The structure of power supply from the Company's grids in 2015, by voltage of electric grids
(according to the economic balance sheet)**



All the aforesaid may as well be applied to the structure of consumption of productive supply by voltage, where the maximum percentage fell within high-voltage power transmission (64%) due to a large share of heavy industrial consumers.

Dynamics of power transmission services rendered in 2014–2015

Branch	Volume of energy transmission services rendered							
	2014*		2015		Change 2015/2014			
	mln kWh	RUB mln	mln kWh	RUB mln	mln kWh	%	RUB mln	%
Vladimirenergo	5,229	7,638	5,200	8,364	-30	-1%	725	9%
Ivenergo	2,769	2,506	2,685	2,534	-84	-3%	28	1%
Kalugaenergo	4,191	7,098	4,132	7,535	-59	-1%	437	6%
Kirovenergo	5,140	6,697	5,069	7,323	-71	-1%	626	9%
Marienergo	1,829	2,565	1,805	2,704	-24	-1%	138	5%
Nizhnovenergo	13,053	18,296	12,469	17,765	-583	-4%	-531	-3%
Ryazanenergo	4,404	6,239	4,012	6,309	-392	-9%	71	1%
Tulenergo	5,352	8,911	5,190	9,352	-162	-3%	441	5%
Udmurtenergo	7,314	5,749	7,338	6,051	25	0%	303	5%
Total for the Company	49,281	65,699	47,901	67,938	-1,380	-3%	2,239	3%

* Includes revenue from power transmission services (equal to 464 mln kWh and RUB 586 mln), shown in the revenue from energy sale in the accounting reports (in accordance with RAS requirements).

At the end of 2015, the volume of power transmission services of PJSC IDGC of Center and Volga Region was 47,901 mln kWh. Thus, the Company demonstrated a 3% decrease as against 2014 (49,281 mln kWh). The primary reason for that is a decrease in power consumption by the largest consumers within the Company's regional footprint, including:

- 544 mln kWh (-46%) for LLC Gazprom Transgaz Nizhny Novgorod;
- 378 mln kWh (-47%) for JSC Volga;
- 137 mln kWh (-4%) for JSC Russian Railways;
- 51 mln kWh (-30%) for JSC Mikhailovtvetmet;
- 270 mln kWh (-0.9%) - a decrease in consumption by other consumers.

Given the above-mentioned decrease in the volume of services, the revenue from power transmission services amounted to RUB 67,938 mln, which is 3% higher than that in 2014, due to the growth of “boiler” tariffs.

Actual power losses in 2014–2015

Branch/IDGC	Total power losses				Dynamics of losses	
	2014		2015		2015/2014	
	mln kWh	%, reported	mln kWh	%	mln kWh	%, reported
Vladimirenergo	589	10.08%	579	9.98%	-10	-0.1%
Ivenergo	133	4.46%	121	4.18%	-12	-0.3%
Kalugaenergo	732	14.80%	685	14.15%	-48	-0.7%
Kirovenergo	389	6.99%	348	6.37%	-40	-0.6%
Marienergo	182	8.41%	176	8.29%	-5	-0.1%
Nizhnovenergo	1,786	11.61%	1,715	11.83%	-71	0.2%
Ryazanenergo	283	6.30%	272	6.29%	-11	0.0%
Tulenergo	585	9.75%	563	9.58%	-21	-0.2%
Udmurtenergo	396	5.22%	399	5.20%	4	0.0%
TOTAL for the Company:	5,074	9.23%	4,860	9.08%	-215	-0.15%

Actual losses in 2015 against 2014 decreased by 0.15 percentage points, or 215 mln kWh.

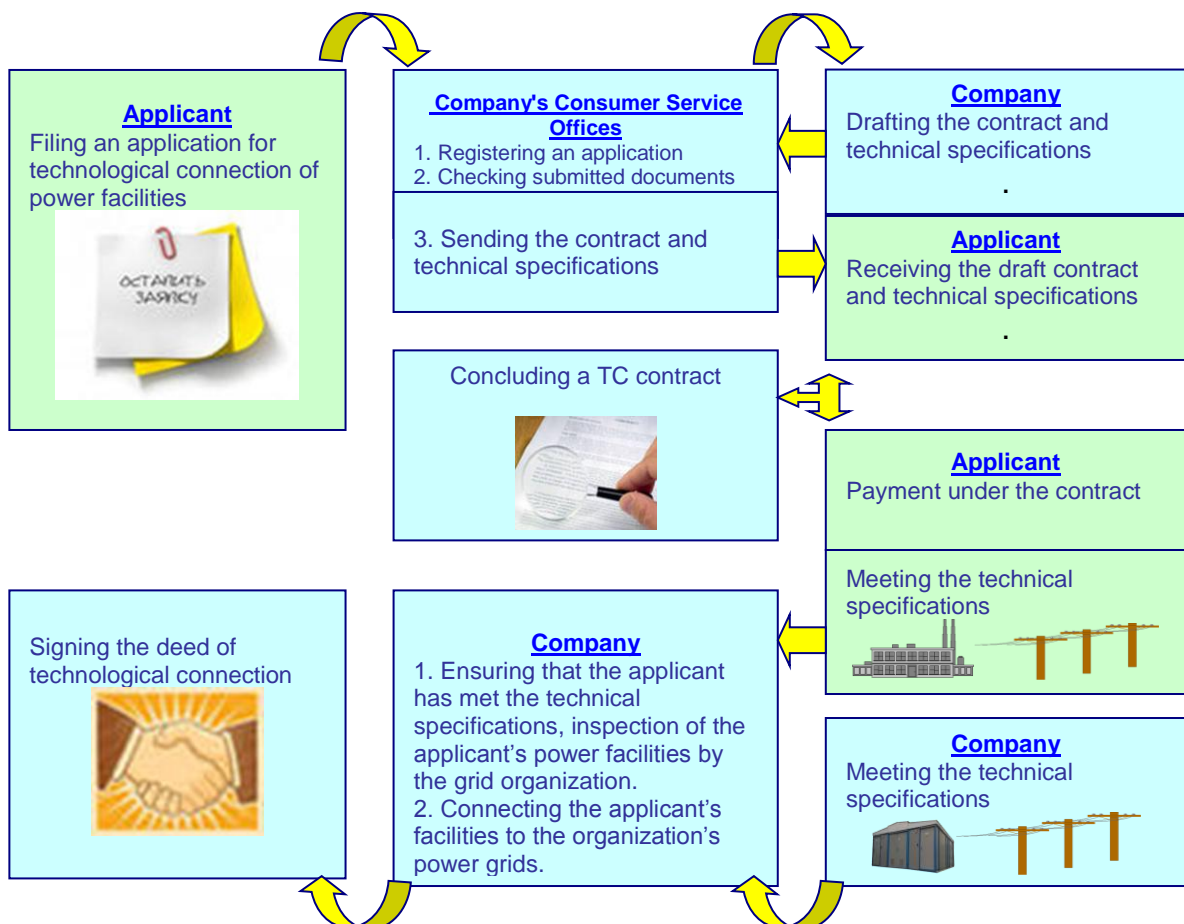
3.3. Technological Connection to Grids

In 2015, construction of a stadium with a seating capacity of 45,000 for the 2018 FIFA World Cup started in Nizhny Novgorod.



The Nizhnovenergo Branch of PJSC IDGC of Center and Volga Region implemented all measures to ensure technological connection to power grids of the stadium construction sites.

To conduct technological connection of an applicant's power facilities to the Company's power grids, all the Company's branches use the following procedure.



In 2015, in accordance with the changes in legislative acts issued to implement the action plan aimed at Energy Infrastructure Availability Increase approved by Order No. 1144-r dated June 30, 2012, (hereinafter, the road map), the Company introduced the following changes to the technological connection procedure:

- The 'User Account' section of the Company's website and the Technological Connection Customer Portal have wider options for filing applications for technological connection of facilities with a capacity of up to 150 kW, and the allowable voltage class changed from 10 kV to 20 kV inclusively.
- The procedure for obtaining a permit from a federal power supervision authority for commissioning electrical grid facilities with the voltage class of up to 20 kV inclusively, built (reconstructed) to technical specifications, was simplified. The facilities are considered to be put into operation from the date of sending the notice of readiness for their commissioning.
- The requirement for installation of autonomous standby power sources during technological connection was specified. This requirement became mandatory only for power receivers belonging to the special first reliability category. Starting from October 1, 2015, the investment component for covering expenses of construction of electrical grid facilities (from existing ones to connected power devices and (or) facilities), which is part of payment for connection of power receivers with the maximum capacity of no more than 150 kW, was decreased by 50%.

In 2015, the Company concluded 7 agreements on its cooperation with executive authorities of the entities of the Russian Federation in the regional footprint of PJSC IDGC of Center and Volga Region, concerning reduction of time frames for implementation of technological connection measures.

The changes implemented by the Company in accordance with the road map simplify and accelerate the procedure for technological connection to power grids and make it more accessible.

Over 5 years of operation, PJSC IDGC of Center and Volga Region received 298,957 applications for technological connection of power receivers with the total capacity of 12,980 MW. The customer contract demand and the number of applications over 5 years broken down by branches are shown in Supplement 4 to the Annual Report.

From 2011 through 2015, the Company signed 254,464 contracts for technological connection of power receivers with the total capacity of 6,914 MW.

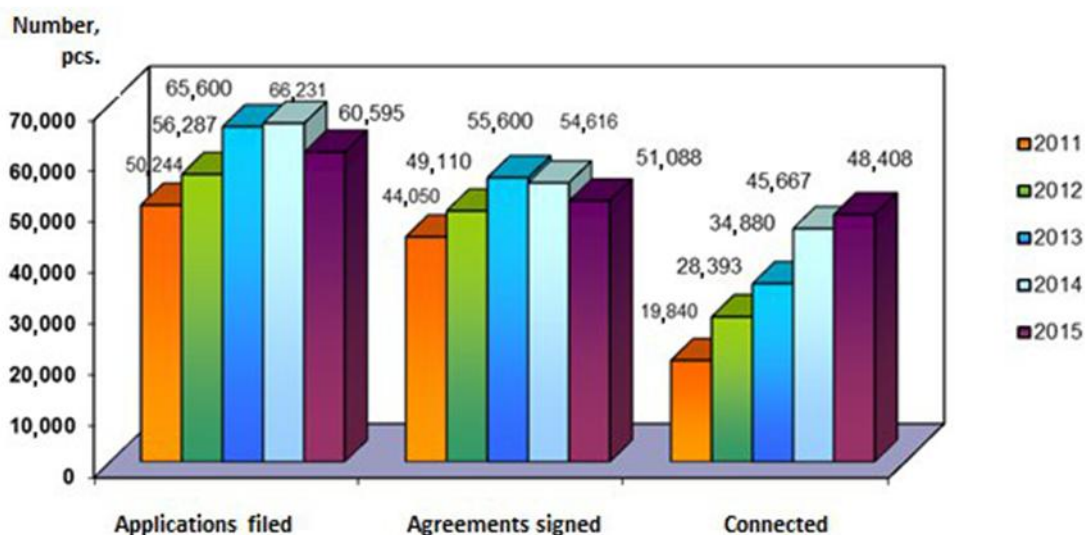
Over this period, 177,188 facilities of consumers were connected to the Company's power grids, with the total capacity of 3,824 MW.

The dynamics of demand and connected power over 5 years (except for applications for technological connection of generating facilities and temporary technological connection) are given in the table and the diagram below.

Dynamics of demand for capacity and the volume of connected capacity of power receivers in 2011–2015 across PJSC IDGC of Center and Volga Region

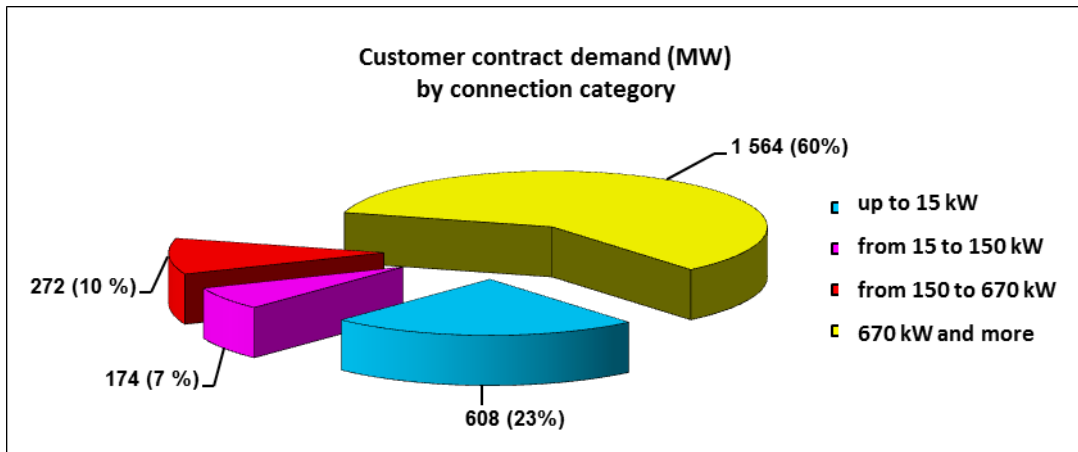
Year	Number of applications for technological connection				Number of contracts concluded				Number of connections			
	pcs.	Change, %	MW	Change, %	pcs.	Change, %	MW	Change, %	pcs.	Change, %	MW	Change, %
2011	50,244		1,719		44,050		1,147		19,840		364	
2012	56,287	↑ 12	2,061	↑ 20	49,110	↑ 11	1,429	↑ 25	28,393	↑ 43	613	↑ 68
2013	65,600	↑ 17	3,096	↑ 50	55,600	↑ 13	1,453	↑ 2	34,880	↑ 23	764	↑ 25
2014	66,231	↑ 1	3,486	↑ 13	54,616	↓ -2	1,596	↑ 10	45,667	↑ 31	1,018	↑ 33
2015	60,595	↓ -9	2,618	↓ -25	51,088	↓ -6	1,289	↓ -19	48,408	↑ 6	1,065	↑ 5

Results of technological connection works, 2011-2015



The volume of applications for technological connection of the applicants' power receivers in 2015 increased by 21% as against 2011. The number of concluded technological connection agreements increased by 16% and the number of fulfilled agreements increased by 144%.

The following diagram shows the customer contract demand in 2015 according to the applications of the current year, broken down by connection category (except for generating facilities and temporary technological connection).



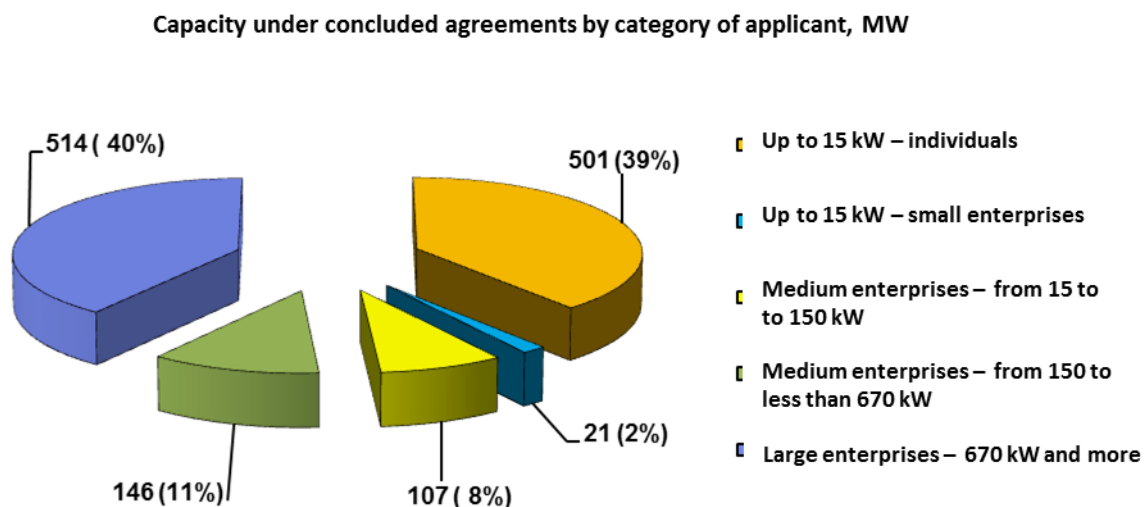
Overall, the largest volume of customer contract demand in the Company (60% and 23%) is attributable to the connection categories '670 kW and more' and 'up to 15 kW', respectively; the smallest one (7%) - to the connection category 'from 15 to 150 kW'.

The breakdown of customer contract demand by economic activities in 2015 is shown in Supplement 4 to the Annual Report.

In 2015, the Company received 6 applications for technological connection of generating facilities with the total capacity of 17,6 MW and 618 applications for temporary technological connection with the total capacity of 31,96 MW. Data on generating facilities are shown in Section 2.2.3.

In 2015, the Company signed 51,088 agreements on technological connection of power receivers with the total capacity of 1,289 MW, 94% of which were concluded with individuals or legal entities requiring capacity of up to 15 kW and categorized as preferential consumers. A comparative analysis of the number and power range of concluded agreements by connection category is shown in Supplement 4 to the Annual Report.

The breakdown of capacity under concluded agreements by categories of applicants in 2015 (except for generating facilities and temporary technological connection) is shown in the following diagram.



The largest volume of capacity under concluded agreements (40% and 39%) falls within the connection categories large enterprises ('670 kW and more') and individuals ('up to 15kW'), and the smallest volume (2%) - within the small enterprises category ('up to 15 kW').

The breakdown of the number of agreements concluded in 2015 by connection category and dynamics of the number of concluded agreements on technological connection and their capacity over 5 years are shown in Supplement 4 to the Annual Report.

In 2015, the Company signed 2 agreements on technological connection of generating facilities with the total capacity of 11 MW and 545 agreements on temporary technological connection with the total capacity of 22.5 MW.

The breakdown of the number of connections and capacity connected (except for generating facilities and temporary technological connection) by the Company's branches is shown in the table below.

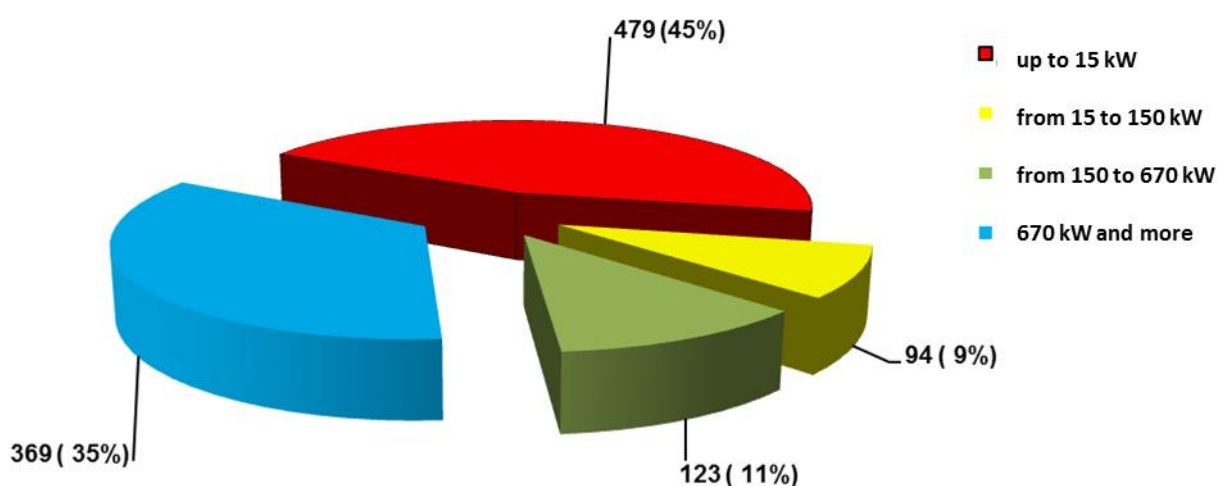
Number of connections and capacity connected

Name of branch	Data on connections									
	2011		2012		2013		2014		2015	
	pcs.	MW	pcs.	MW	pcs.	MW	pcs.	MW	pcs.	MW
Vladimirenergo	2,429	38.33	2,924	59.74	4,032	92.21	4,468	104.19	5,735	119.65
Ivenergo	695	15.14	822	21.06	808	17.52	1,551	67.95	1,608	40.36
Kalugaenergo	1,812	52.34	3,977	81.90	3,752	112.10	7,184	173.07	8,528	199.98
Kirovenergo	2,932	56.54	3,171	87.71	3,396	86.55	4,959	87.86	3,634	71.28
Marienergo	1,489	21.82	1,718	22.83	1,871	28.73	2,171	28.56	2,053	29.97
Nizhnovenergo	5,719	76.89	6,882	140.34	9,275	158.61	11,239	215.82	11,005	234.12
Ryazanenergo	1,322	32.07	2,601	49.55	3,211	75.73	4,835	107.92	4,392	116.55
Tulenergo	1,941	49.19	3,169	84.44	4,789	118.08	5,115	142.17	7,478	161.85
Udmurtenergo	1,501	21.77	3,129	64.98	3,746	74.75	4,145	89.96	3,975	90.96
Total for the Company	19,840	364.09	28,393	612.55	34,880	764.27	45,667	1,017.50	48,408	1,064.72

The data on capacity connected (planned/actual) and the number of connections (planned/actual) over 5 years of the Company's operation, taking into account generating facilities and temporary technological connection, are shown in Supplement 4 to the Annual Report.

The breakdown of capacity by connection category (except for generating facilities and temporary technological connection) is shown in the diagram.

Connected capacity (MW) under technological connection agreements, 2015



The largest volume of capacity connected under fulfilled agreements on technological connection falls within the connection categories of 'up to 15 kW' and '670 kW and more' - 479 MW and 369 MW, respectively.

In 2015, the Company fulfilled 2 agreements on technological connection of generating facilities with the total capacity of 90 MW and 389 agreements on temporary technological connection with the total capacity of 18.57 MW.

The data on terminated agreements and refusals from offers are shown in Supplement 4 to the Annual Report.

Details on technological connection, including the number of applications and customer contract demand, the amount and range of capacity under concluded agreements, the volume of connected capacity, achievement of target volumes, etc., are shown in Supplement 4 to the Annual Report.

During implementation of the investment program of PJSC IDGC of Center and Volga Region in 2011-2015, the number of supply points, which were subject to limitation on extra capacity connection, reduced by 71 facilities from 113 pcs. At the beginning of 2016, 42 supply points are still subject to limitation of extra capacity connection.

3.4. Consolidation of Power Grid Assets

Principles of work aimed at consolidation of power grid assets and interaction with territorial grid organizations

Interaction for the purpose of consolidation of municipal grid assets is based on road maps or joint protocols approved by the executive authorities of the regions. Thus, on May 22, 2014, the Governor of the Vladimir Region S.Yu. Orlova and the General Director of PJSC Russian Grids O.M. Budargin signed a road map on consolidation of the power grid complex of the Vladimir Region at the economic forum in Saint Petersburg.

In the course of works performed according to the road map, the parties conducted a joint inventory of electrical grid facilities belonging to municipalities of the Vladimir Region, as well as ownerless grids, and signed final reports. According to the results of the inventory, the total volume of municipal and ownerless electrical grid facilities amounted to 201.04 km, 17.126 MVA, or 597.65 conventional units.

Pursuant to the road map, as of January 1, 2016, the Company signed 18 agreements on lease of electrical grid facilities with eleven municipalities of the Vladimir Region (82.85 km, 4.1 MVA, 231.1 conventional units).

In 2016, the Company, together with municipalities of the region, will continue its work aimed at implementation of the road map measures for consolidation of municipal electrical grid facilities that were previously ownerless.

Analysis of implementation of the program for consolidation of grid assets

In accordance with the business plan approved by the Company's Board of Directors, in 2015, the Company planned to consolidate grid assets with the total volume of 721 conventional units: 368 conventional units (9 transactions) by acquisition of ownership and 353 conventional units (22 transactions) by lease. The above-mentioned transactions were carried out in full.

The data about implementation of the consolidation program by the Company branches are shown in the Table "Information about consolidation of grid assets by branches".

Description of trends in the market of power transmission services in the regions of the Company's operation

In 2015, the total share of PJSC IDGC of Center and Volga Region in the required gross revenue of territorial grid organizations in the regions of the Company's operation was 76.1%. In 2013-2015, the

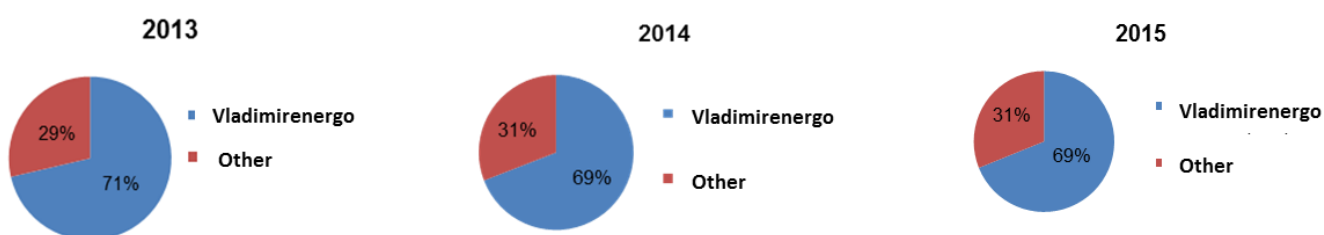
Company's share in the total RGR from grid services (less expenses related to payment for energy losses) decreased in 6 regions. The most considerable changes were reported in the Udmurt and Mari El Republics.

The basic reason for this decrease is the use of negative smoothing in relation to RGR of the Company's branches by regulatory authorities in accordance with the RAB regulation procedure. The funds will be paid back to the branches in the following years of the long-term regulation period.

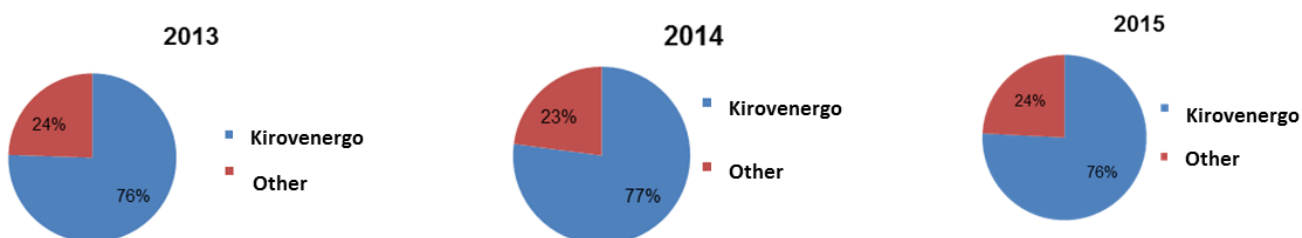
Moreover, in 2014, certain branches started to allocate a portion of their RGR to pay for the services of PJSC FGC UES, which were to be paid for by other territorial grid organizations of the region. Thus, the share of Udmurtenergo decreased by 15% due to this factor.

If the above-mentioned factors are excluded, dynamics of the Company's share in these regions is positive.

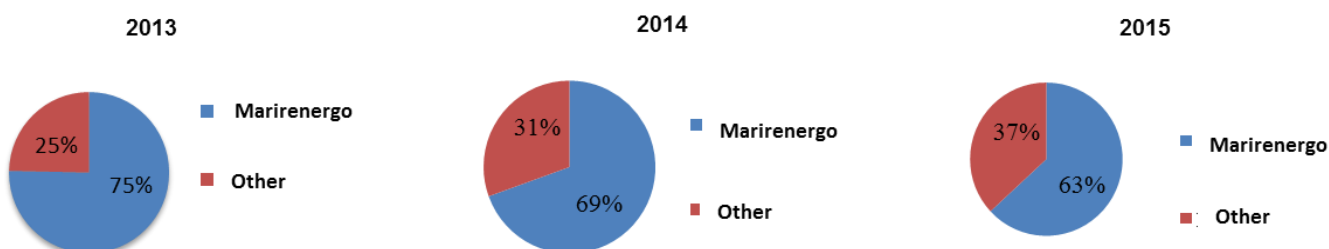
The share of Vladimirenergo in RGR of the Vladimir Region



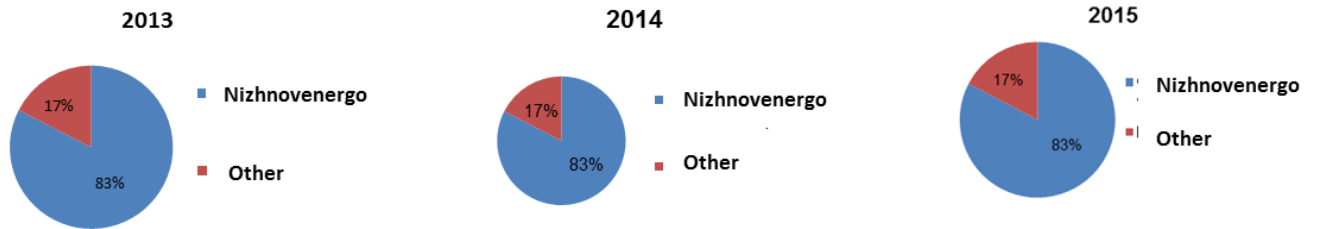
The share of Kirovenergo in RGR of the Kirov Region



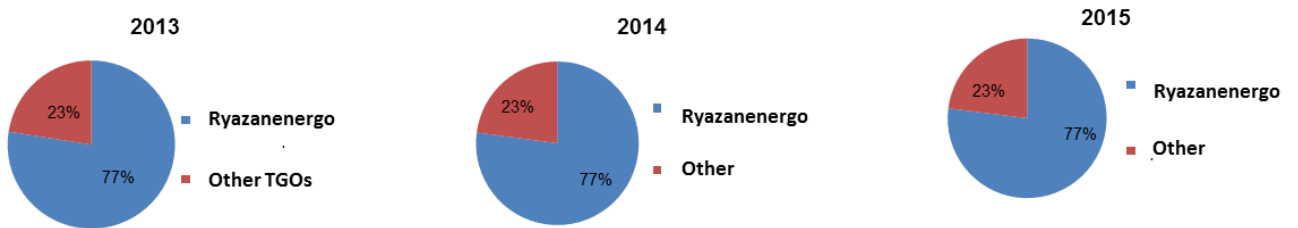
The share of Marienergo in RGR of the Mari El Republic



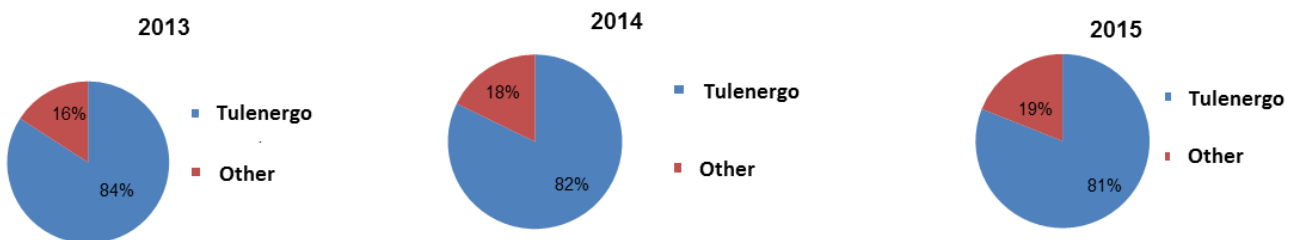
The share of Nizhnovenergo in RGR of the Nizhny Novgorod Region



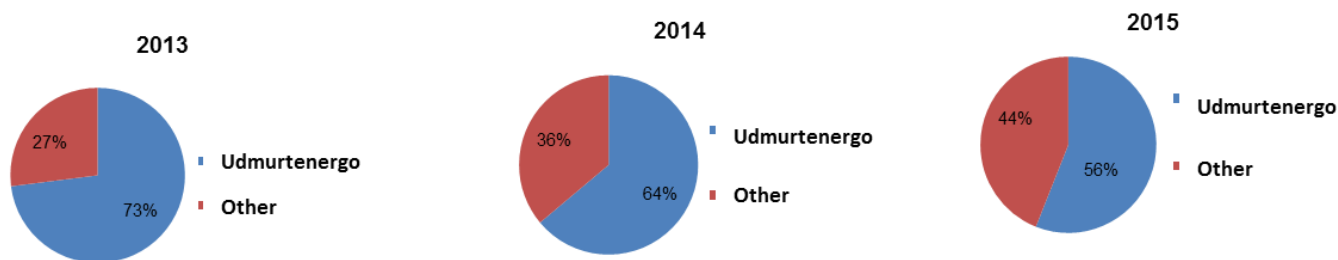
The share of Ryazanenergo in RGR of the Ryazan Region



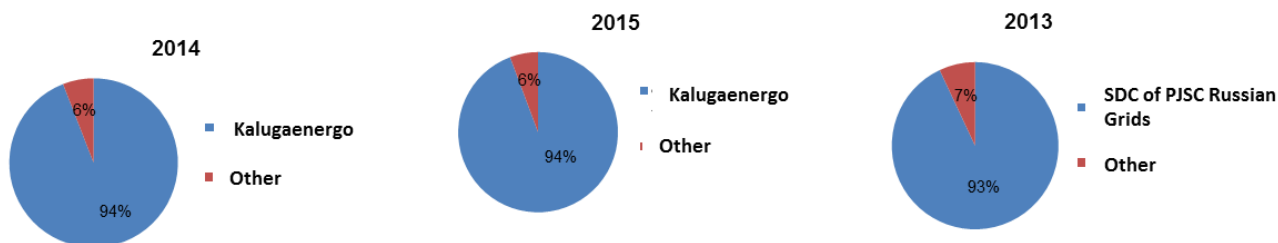
The share of Tulenergo in RGR of the Tula Region



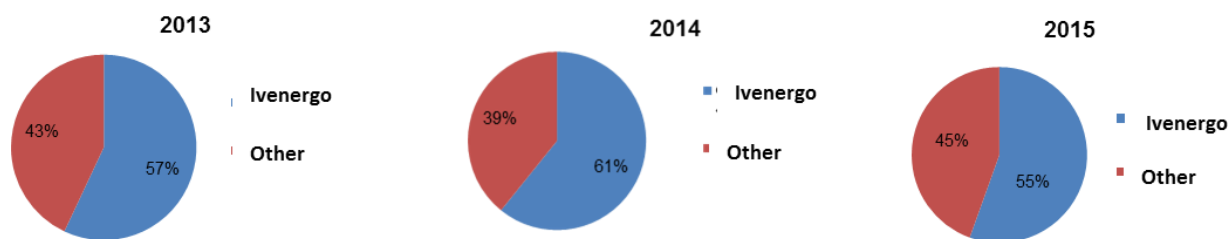
The share of Udmurtenergo in RGR of the Udmurt Republic



The share of Kalugaenergo in RGR of the Kaluga Region



The share of Ivenergo in RGR of the Ivanovo Region



The data on implementation of the program for consolidation of power grid assets by branches are shown in Supplement 4 to the Annual Report.

3.5. Other Activities

In order to use current resources more efficiently, the Company provides additional services to individuals and legal entities on a commercial basis.

Other activities of PJSC IDGC of Center and Volga Region include technical maintenance and repairs of power grid facilities of third-party entities, power equipment testing, repairs and replacement of power metering devices, property lease, services of telecommunications equipment placement at power grids facilities, etc.

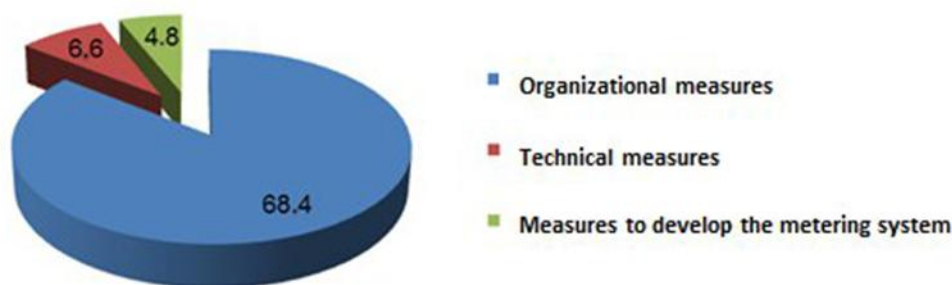
Other activities accounted for 0.4% of the total revenue in 2015. The revenue from other activities in 2015 was RUB 254 mln and the gross profit reached RUB 51 mln.

3.6. Decrease in Energy Losses

Improvement of performance is one of the core activities of the Company. In order to fulfill this condition, the Company developed and began to implement a program to reduce energy losses. This program consists of sections and target subprograms (activities), which, in turn, consist of the following principle measures:

- *Organizational measures* - measures which include disabling, on the light-load conditions, of transformers at substations with two or more transformers, disabling of transformers at substations with seasonal load, balancing of phase loads in grids, and identification of unmetered power consumption by means of inspections;
- *Technical measures* - measures which include replacement of overloaded transformers, installation and commissioning of additional power transformers at operating substations, optimization of the loads of power grids by means of construction/reconstruction of overhead lines and substations;
- *Measures to develop the metering system* - measures which include installation of energy metering devices of enhanced accuracy at the boundaries of balance book and operational responsibility of participants of the wholesale electric power market, as well as performance of audits and provision of timely and accurate metering equipment readings.

**Results of the program for power loss reduction, as of the end of 2015,
mln kWh**



- Organizational measures (85.7%, or 68.4 mln kWh)

- Technical measures (8.3%, or 6.6 mln kWh)
- Measures to develop the metering system (6%, or 4.8 mln kWh)

In general, owing to implementation of the program aimed at reducing energy losses, in 2015, the achieved effect amounted to 79.8 mln kWh.

It should be pointed out that the results achieved during implementation of the project "Construction of Smart Grids" in Tulenergo were particularly impressive. Currently, there are more than 4,000 smart metering devices assembled for domestic and legal consumers. 233 of these metering devices were successfully tested at two process sites No. 133 and No. 136. The year-on-year decrease in power losses at these sites is over 40 thous. kWh.

3.7. Organization of Interaction with Service Consumers

The policy on interaction with the service consumers of PJSC IDGC of Center and Volga Region aims at adopting a customer-oriented approach in operations. The primary objective of a customer-oriented approach is to build loyalty to the Company by providing high-quality service and meeting the needs of customers through establishment and operation of a system of centralized consumer service.

PJSC IDGC of Center and Volga Region operates in accordance with the following guidelines:

- Sufficient consumer awareness of the Company and its services;
- Territorial availability and comfortable conditions of face-to-face service of the Company;
- Availability and efficiency of remote and interactive services of the Company;
- Competent service;
- Transparency of business processes of customer service and fair consumer complaint investigation.

PJSC IDGC of Center and Volga Region constantly perfects its business processes in order to create comfortable conditions and provide end-to-end consumer services.

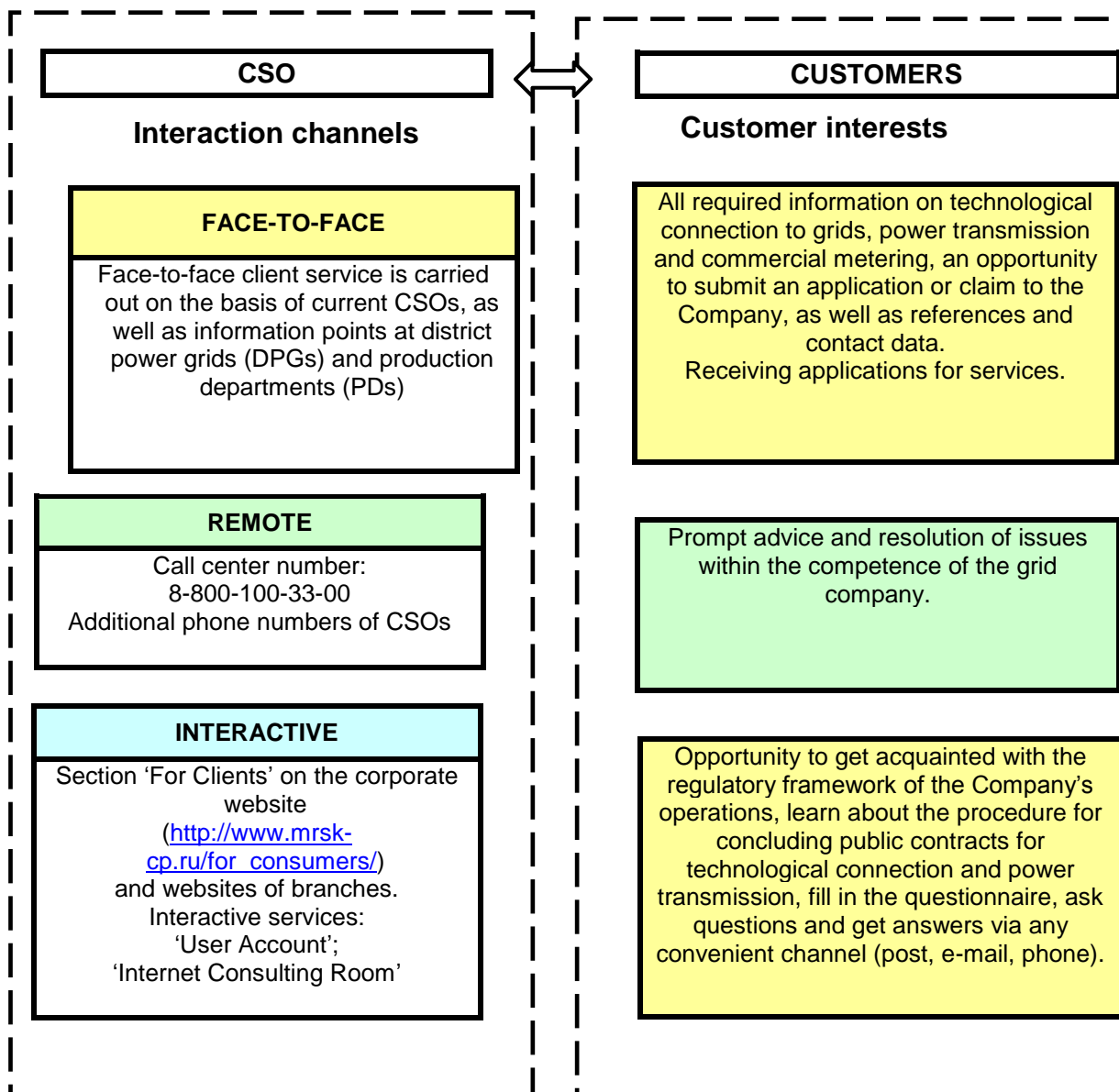
PJSC IDGC of Center and Volga Region has 33 operating Consumer Service Offices (CSOs): 9 Customer Service Centers formed on the basis of executive bodies of the branches, 23 Customer Service Units created at production departments and in areas of the branches' power grids, and a Joint Information Center of the Company's Executive Body.

Dynamics of CSOs opened by PJSC IDGC of Center and Volga Region

Vladimir, Aleksandrov, Gus- Khrustalny, Kovrov, Murom, Teykovo, Kineshma, Nizhny Novgorod, Ryazan, Tula	Ivanovo, Kaluga, Obninsk, Kirov (Kaluga Region), Kaluga (KES), Kaluga (KGES), Kirov, Slobodsky, Yoshkar-Ola, Dzerzhinsk, Arzamas, Izhevsk, Sarapul, Glazov	Kstovo	Semenov, Zavyalovo	Petushki, Navashino, Karakulino	Nizny Novgorod, Balakhna	Kirov (Novovyatsky District)	Total CSOs:
10	14	1	2	3	2	1	33
as of January 1, 2008	2008	2009	2010	2011	2012	2013	as of January 1, 2016

In order to ensure full coverage of the operations area of the Company branches and to ensure territorial availability of service for consumers, the Company organized work of 222 information units operating at all production departments and district power grids of the branches.

Service consumers are free to select any of the three types of communication channels - face-to-face, remote or interactive - depending on the customer's individual capabilities and preferences.



PJSC IDGC of Center and Volga Region has been continuously improving face-to-face consumer services.

In 2015, the Company approved the Quality Standards for Consumer Service defining requirements and the procedure for organization of service, and business processes of face-to-face and remote interaction with consumers.

This framework document served as the basis for development, introduction and implementation of the plan of measures for bringing the service system in conformity with the Standards.

The Company organized customer service with the use of the electronic line management system. The Company enabled consumers to make appointments via the websites of the branches of PJSC IDGC of Center and Volga Region, choosing the date and time convenient for them.

The Company performed works aimed at creation and replacement of information stands, sign boards and plates in accordance with the Standards and amendments to the requirements for the unified corporate style.

The Company continued improving the functionality of the Integrated System of Customer Relationship Management of PJSC IDGC of Center and Volga Region (CRM system) and integrating it with

interactive services and automated modules. Active use of the functionality of the CRM-system considerably increased the efficiency of interaction with service consumers, sped up the procedure for providing information and improved the quality of information provided at the consumers' requests.

In order to implement the system of remote consumer service within the entire regional footprint of PJSC IDGC of Center and Volga Region, the Company launched a free hotline: 8-800100-33-00.

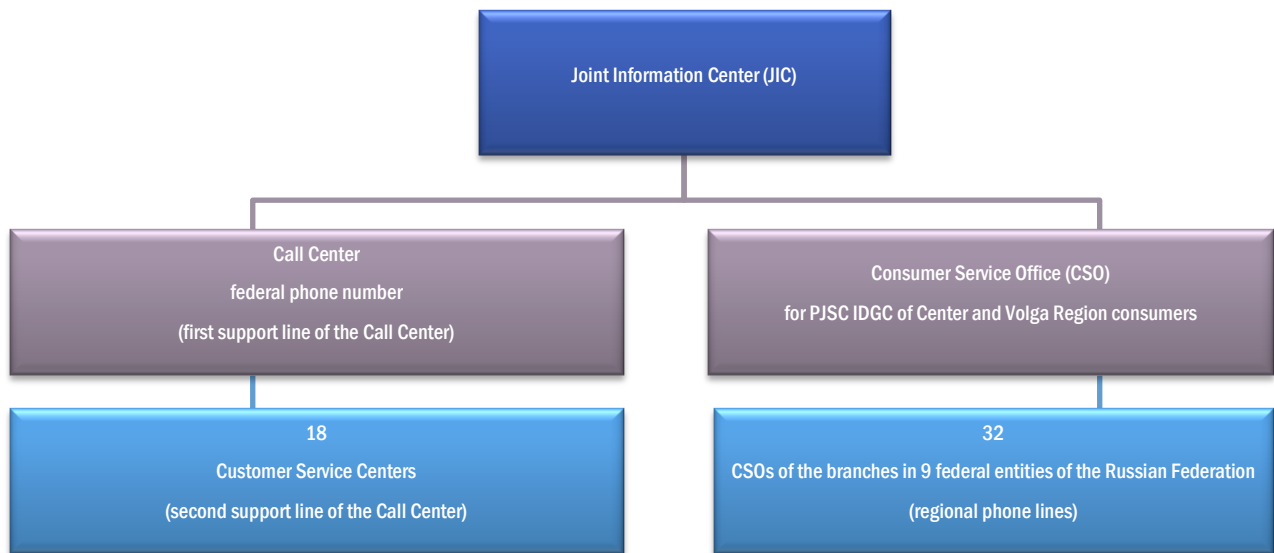
Hotline calls from service consumers are answered by:

- Operators of the Call Center of the Joint Information Center of PJSC IDGC of Center and Volga Region (on a 24/7 basis at the federal hotline number 8-800-100-33-00 and the additional number of the Call-Center 8-831-431-83-00 - for issues such as power cuts and power quality);
- Operators of the Call Center at the level of the branches of PJSC IDGC of Center and Volga Region (working hours coincide with those of the CSOs of the branches) - 18 hotline operators in 9 branches take calls on power cuts and power quality, technological connection, power transmission, energy metering devices, and additional services.

In order to expand long-distance services and ensure prompt provision of information at the consumers' requests, consultations are carried out by employees of 32 Consumer Service Offices using additional local phone numbers.

Moreover, the Executive Body of PJSC IDGC of Center and Volga Region includes a Joint Information Center working 24/7 and consisting of the Emergency Operations Center, the Call Center and CSO.

All the information about the condition of the power grid complex of PJSC IDGC of Center and Volga Region is delivered to the Emergency Operations Center online and then to the Call Center employees.



Interactive consumer services are rendered via the Internet (e-mail, the Internet Consulting Room, the User Account) providing remote access to the Company services.

Interactive consumer service is available in the section 'For Consumers' on the corporate websites of PJSC IDGC of Center and Volga Region and its branches.

In 2015, the structure and contents of the section 'For Consumers' were changed and brought in conformity with the Quality Standards for Consumer Service.

In the subsection 'Internet Consulting Room' service consumers may ask questions, send appeals or claims to the Company, express their opinions about the service quality by filling in an interactive questionnaire, and obtain information about persons intending to redistribute the maximum capacity of their power receivers in favor of other parties.

In 2015, the following services were added to the 'Internet Consulting Room':

- an option of reporting about unmetered consumption and electricity thefts;
- filing a notification of fulfillment of requirements set out in technical specifications for TSS;
- obtaining information about power cuts;
- checking the status of complaints.

The interactive tool 'User Account' was further developed. The functionality of service applications (technological connection, commercial metering) is supplemented with the following services:

- provision of electronic copies of documents on technological connection and power transmission;
- obtaining information about the status of complaints;
- sending notifications to grid organizations on fulfillment of requirements set out in technical specifications;
- receiving notifications of unmetered (non-contracted) consumption of electrical energy and electricity thefts.

The Company notifies consumers of planned time frames for application processing in automatic mode, with the indication of a registration number if the application is sent via the website.

In order to exercise public control and take into account the opinions of all consumer groups, non-governmental organizations and associations of the business community on implementation of the power grid development strategy, representatives of PJSC IDGC of Center and Volga Region took part in the work of inter-sectoral consumer councils established by regional leaders of the entities of the Russian Federation.

To ensure customer feedback, the Company regularly carried out face-to-face and interactive questioning in the reporting year in order to assess customer satisfaction with service quality of Consumer Service Offices and PJSC IDGC of Center and Volga Region. The results of questioning of 1,801 consumers are shown in Supplement 4 to the Annual Report.

Overall, in 2015, PSC IDGC of Center and Volga Region received over 229 thous. applications from consumers.

PJSC IDGC of Center and Volga Region maintains regular monitoring of incoming consumers' claims. The measures to eliminate existing incidents are defined concerning incoming claims. The general description of claims received by PJSC IDGC of Center and Volga Region in 2015 and dynamics from 2011 through 2015 are shown in Supplement 4 to the Annual Report.

The results of interaction with consumers in 2015 demonstrate an increase in operating efficiency, which is confirmed by:

- positive feedback from consumers;
- high opinion of service quality in case of face-to-face and interactive questioning;
- improvement of quality and increase in speed of information provision based on consumers' applications due to automation of processes with the use of the Integrated System of Customer Relationship Management of PJSC IDGC of Center and Volga Region (CRM system);
- active development and expansion of services provided to consumers through the interactive services 'User Account' and 'Internet Consulting Room';
- meeting the approved targets for the quality of services rendered;

The target for the quality of services of 1.0102 was approved for 2015 by resolutions of the regulatory authorities responsible for establishing tariffs for the branches of PJSC IDGC of Center and Volga Region.

Actual values of the quality of services rendered by territorial grid organizations (TGO) in all the branches were lower than the target value. The targets for the quality of services were met.

4. Sustainable Development

4.1. Financial and Economic Activities

4.1.1. Accounting Policy

The Company maintains accounting in compliance with the single guidelines and rules valid in the Russian Federation based on the unified accounting of all business operations of the Company.

The accounting methods and policy used by the Company in 2015 are specified in the Accounting Policy Statement of the Company for 2015 approved by Order of the General Director of the Company No. 821 dated December 31, 2014.

The main provisions of the accounting policy are disclosed on the Company's website <http://www.mrsk-cp.ru/> in the section 'Disclosure and Accounting Information / Financial Information and Statements' (http://www.mrsk-cp.ru/stockholder_investor/disclosure_reporting_info/finansovaya-informatsiya-i-otchetnost/uchetnaya-politika/)

4.1.2 Analysis of Financial Performance under RAS

Financial Performance under RAS

Indicator	2011	2012	2013	2014	2015	Change 2015/2014	
						absolute	relative
Revenue, RUB mln	64,404	59,889	77,670	69,161	68,884	-277	-0.4%
from power transmission	63,249	58,375	61,225	65,113	67,938	+2,825	+4.3%
from technological connection	816	1,220	828	723	692	-31	-4.3%
from resale of electric power and capacity	-	-	15,375	3,056	-	-3,056	-100%
from other activities	339	293	243	270	254	-16	-5.9%
Cost, RUB mln	57,089	51,944	66,023	61,824	62,803	+979	+1.6%
power transmission	56,600	51,280	56,166	59,084	61,727	+2,643	+4.5%
technological connection	324	508	558	788	874	+86	+10.9%
resale of electric power and capacity	-	-	9,171	1,765	-	-1,765	-100%
other activities	166	156	129	187	203	+16	+8.6%
Gross profit, RUB mln	7,315	7,945	11,647	7,337	6,081	-1,256	-17.1%
Business expenses	-	-	1,524	802	13	-789	-98.4%
Management expenses	-	-	1,022	1,099	1,099	-	-
EBITDA, RUB mln	10,958	9,783	10,950	10,181	10,483	+302	+3.0%
Net profit, RUB mln	4,232	1,916	2,536	1,378	943	-435	-31.6%
from power transmission	3,699	1,236	1,997	2,039	945	-1,094	-53.7%
from technological connection	394	570	216	-52	-145	-93	+179%
from resale of electric power and capacity	-	-	232	-675	102	+777	-115%
from other activities	139	110	91	67	41	-26	-38.8%

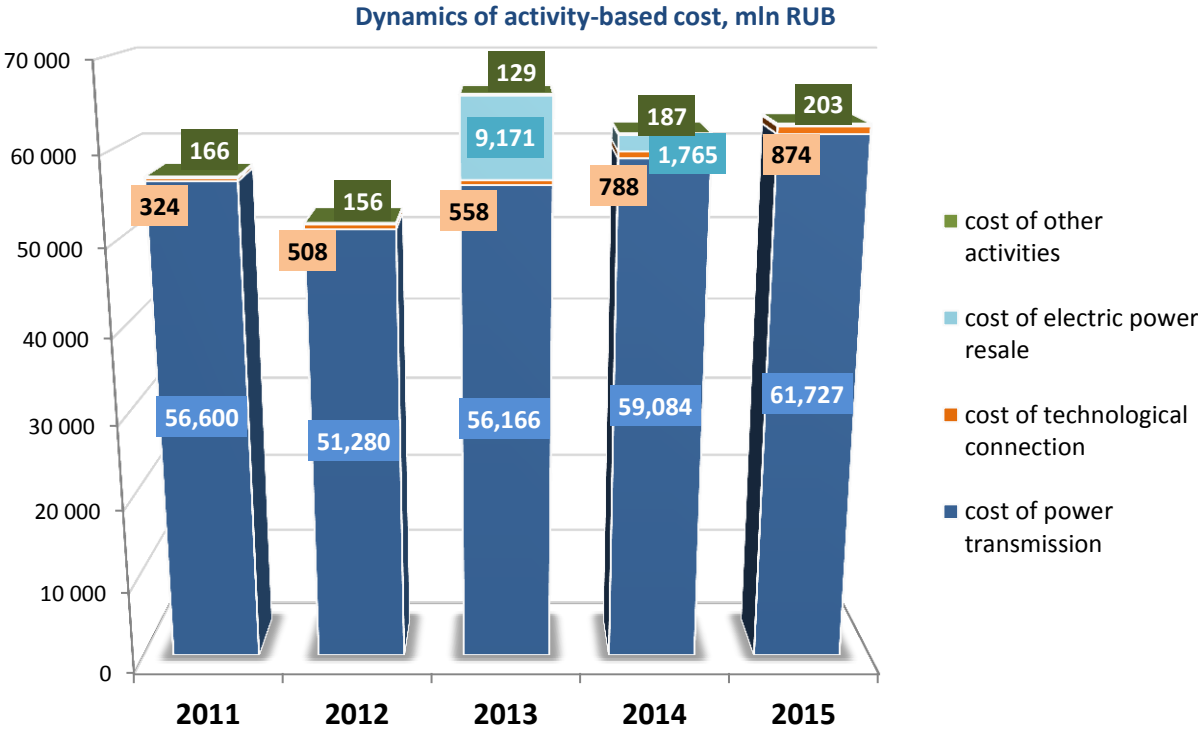
At the end of 2015, the Company's revenue amounted to RUB 68,884 mln, which represents a 0.4% year-on-year decrease.

Negative dynamics resulted from the lack of income from resale of electric power and capacity due to termination of services as a provider of last resort (POLR) in the Ivanovo Region as of July 1, 2014. Following tender procedures, the Ministry of Energy of the Russian Federation transferred the POLR functions to an energy service organization with the status of wholesale-market entity.

In accordance with the accounting rules, income from resale of electric power and capacity includes a portion of incomings from power transmission services; therefore the data in Revenue from Power Transmission for 2015 and 2014 are incomparable.

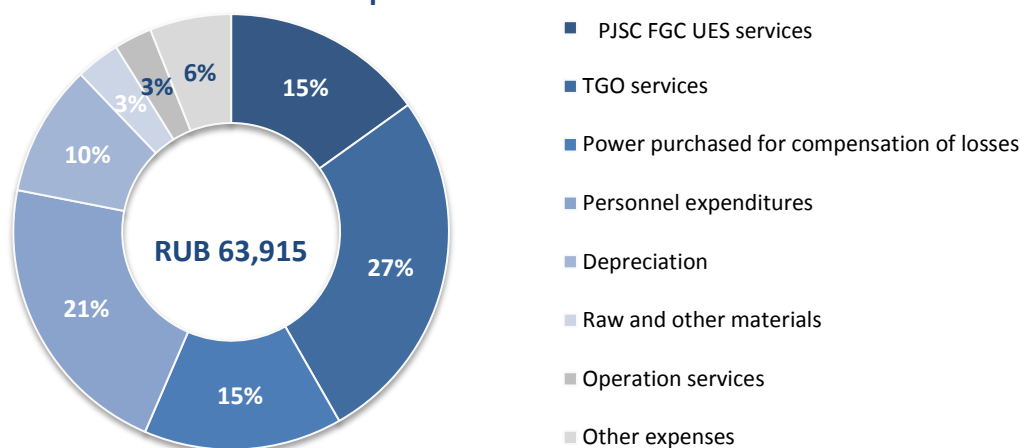
In conditions comparable with 2015, the revenue from power transmission services in 2014 was RUB 65,699 mln. Thus, the increase in income for this type of activity in the reporting year amounted to RUB 2,239 mln, or 3.4%, year on year, which was caused by the growth of tariffs for power transmission services.

As a result of relatively high inflation and increase in prices for goods and services, in 2015 the reduction in the Company's income was accompanied with a growth of expenses assigned to the cost of products and services. They grew by RUB 979 mln, or 1.6%. At the same time, management costs remained at the level of 2014. The structure and dynamics of the cost for 5 years are presented in the diagrams as follows.



Note: The cost for 2013-2014 is presented in accordance with the accounting statements (without internal business volumes between transmission and resale of electric power).

Structure of expenses related to cost, administrative and commercial expenses in 2015



Improvement of Operating Performance

Within the framework of the Strategy for Development of the Power Grid Industry of the Russian Federation approved by the Government, the Company has been implementing the Performance Management Program. In 2015 it enabled the Company to decrease its specific operating expenses by 16.4% per unit of electric equipment maintenance, adjusted for inflation against 2012.

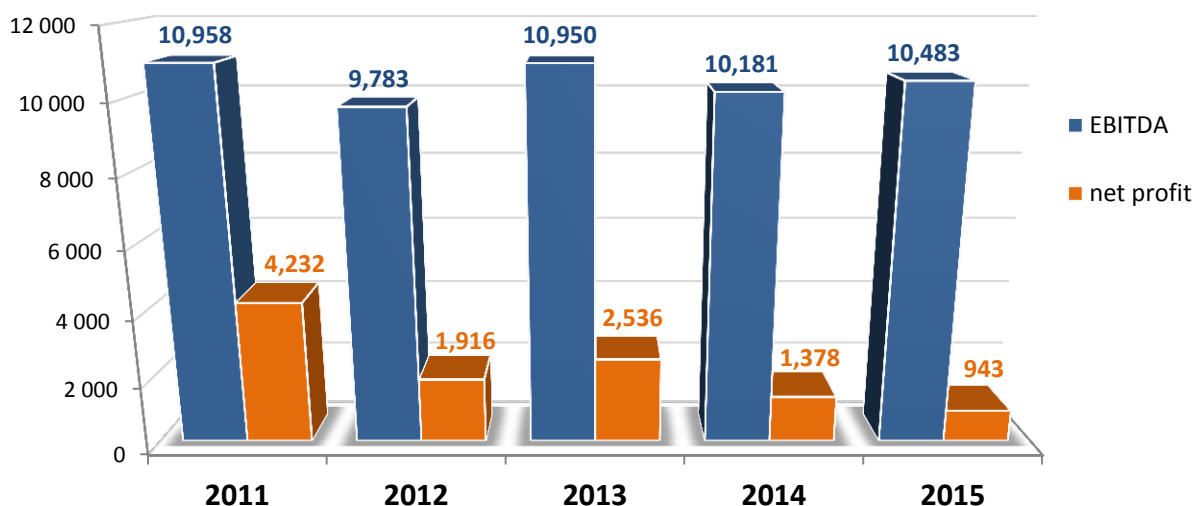
Moreover, the Company fulfilled a requirement set forth in the Directive of the Government of the Russian Federation dated April 16, 2015 on decrease in operating expenses by 2-3% per year: in the reporting year, the Company's specific operating expenses decreased by 6.1%. The effect of cost saving in 2015 amounted to RUB 1,068 mln measured in 2014 roubles.

Financial Results

As a result of revenue reduction and prime cost increase, in 2015 the gross profit of the Company decreased by 17% year on year and amounted to RUB 6,081 mln. The net profit as of the end of the reporting year was RUB 943 mln, which represents a 32% decrease as against 2014.

A decision concerning profit allocation will be made at the Annual General Shareholders Meeting with an allowance for recommendations of the Board of Directors of the Company.

Dynamics of net profit and EBITDA, mln RUB



Financial Ratios

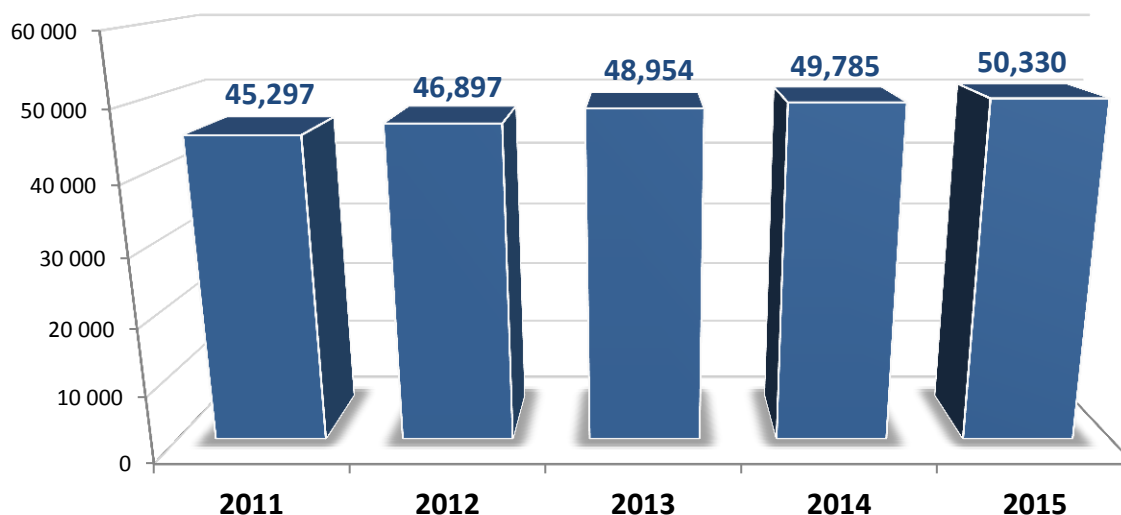
Indicator	2011	2012	2013	2014	2015
Net assets, RUB mln	45,297	46,897	48,954	49,785	50,330
Liquidity indicators					
Quick assets ratio	1.46	1.24	1.13	0.92	0.74
Working capital ratio	1.59	1.37	1.27	1.00	0.81
Financial stability indicators					
Equity to assets ratio	0.57	0.56	0.55	0.53	0.55
Total debt to EBITDA ratio	2.11	2.49	2.13	2.63	2.36
Business performance indicators					
Return on equity (ROE), %	9.79	4.16	5.29	2.79	1.89
Return on total assets according to profit before tax (ROTA), %	7.97	3.69	4.00	2.50	2.04
EBITDA profitability, %	17.02	16.33	14.10	14.72	15.22
Business efficiency indicators					
Receivables turnover	12.30	8.32	8.13	6.09	5.39
Payables turnover	7.98	6.69	7.34	6.13	6.26
Receivables and payables growth rates ratio	1.05	1.47	0.94	1.18	1.09
Aggregate receivables and payables ratio	0.75	1.10	1.03	1.22	1.33

Net Assets

The Company's net assets are calculated in accordance with the Procedure for Evaluation of Net Assets approved by Order of the Ministry of Finance of the Russian Federation No. 84n dated August 28, 2014.

The net assets as of the end of 2015 amounted to RUB 50,330 mln, with a year-on-year increase of RUB 545 mln, or 1.1%. The Company's net assets are continuously growing; their value has grown by RUB 5,033 mln, or 11%, over 5 years. Positive dynamics of the net assets are due to an increase in the Company's undistributed profit.

Dynamics of net assets, mln RUB



Liquidity Indicators

Liquidity ratios characterizing the Company's ability to promptly redeem its short-term liabilities by means of current assets slightly decreased as of the end of 2015, but they are still at the standard level for power grid companies.

Negative dynamics as against the previous year were caused by an increase in short-term liabilities due to reclassification of a considerable portion of raised loans from long-term to short-term owing to closer maturity date.

Financial Stability Indicators

Financial stability indicators characterize the rate of dependency of a company on borrowed funds and determine the degree of risk for creditors.

Equity to assets ratio represents the share of equity in the Company's total assets. The higher the share of equity, the more chances the company has to get through contingencies arising in the course of its activities and the higher its stability and financial independence. As a result of the Company's performance in the reporting year, the equity to assets ratio increased and amounted to 0.55 due to the decrease in aggregate liabilities accompanied with the increase in equity.

Total debt to EBITDA ratio is an indicator of debt load on the company and characterizes its ability to repay the debt to creditors by means of its own sources. In case of stable financial condition, this ratio should not be more than 3. As a result of the Company's performance in 2015, the ratio decreased and amounted to 2.36, which corresponds to the recommended value. This year-on-year improvement was driven by the growth of EBITDA and reduction in raised loans.

Business Performance Indicators

Business performance indicators characterize the effectiveness of the Company's operation. Return on EBITDA shows operational effectiveness; return on equity and return on assets represent effectiveness of use of assets and equity by the Company.

As of the end of 2015, return on equity and return on assets were 1.89% and 2.04%, respectively. The year-on-year decrease in the ratios was due to reduction in net profit and profit before tax of the Company.

Return on EBITDA was at the high level of 15.22% in 2015. Growth of the ratio against 2014 was due to the increase in EBITDA and the reduction in consolidated sales revenues.

Business Efficiency Indicators

The ratio of growth rates for accounts receivable and payable in 2015 was close to one, which suggests comparability of their growth. At the same time, receivables turnover has been decreasing in recent years, which suggests deterioration of payment discipline among the organization's service buyers. Nevertheless, the Company settles its accounts with creditors in time, which is confirmed by the increase in payables turnover.

The effectiveness of actions brought by the Company against debtors and other promisors in 2015 was 100.8%.

The effectiveness of actions brought by creditors and other recoverers to the Company in 2015 was 99.5%.

Summarizing the results of actions brought in 2015 and connected with debt recovery for power transmission services, the Company got positive judgments for 435 legal cases totaling RUB 8,574.78 mln (including demands repaid in the course of case consideration), and the court denied recovery only for one case worth RUB 1.9 mln.

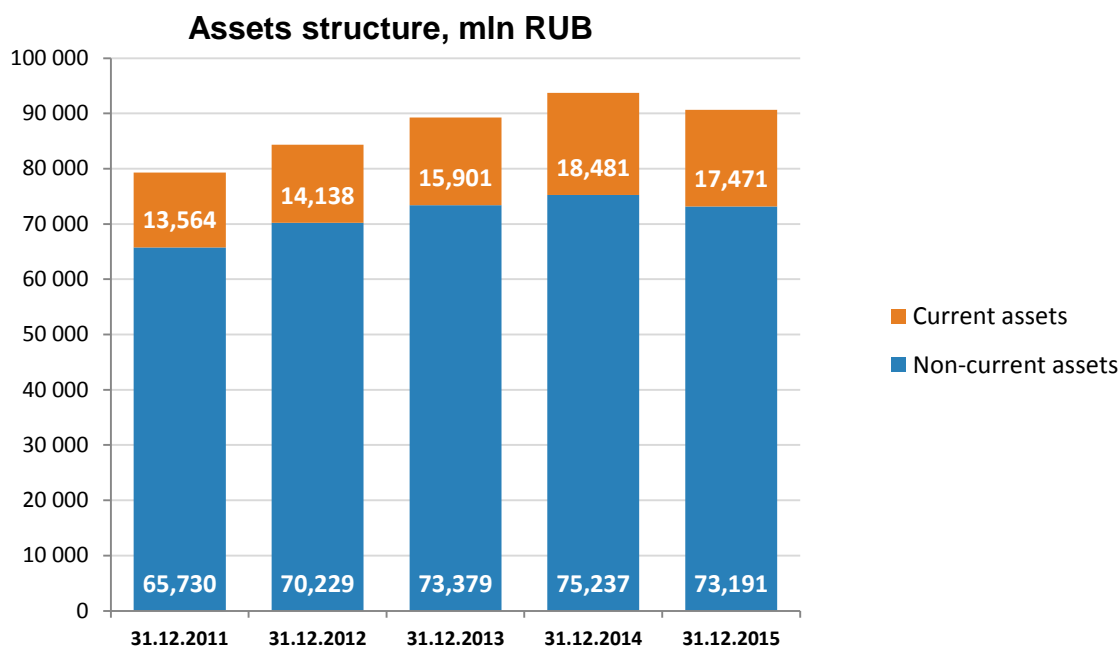
Based on judgments, in 2015 the Company received writs of execution to the amount of RUB 1,781.67 mln and RUB 1,775.55 mln of them were repaid.

In total, as of the end of the reporting period, financial position of the Company is evaluated as stable and the performance of the Company as an energy enterprise is at a high level. At the same time, the Company is actively developing by implementing a large-scale investment program financed both from the Company's own sources and long-term borrowings.

4.1.3. Capital Structure

4.1.3.1. Assets

As of the end of the reporting year, the Company's assets amounted to RUB 91,263 mln. Year on year, the decrease in the cost of assets was RUB 2,455 mln, or 2.6%.



The Company's assets structure is characterized by a high share of non-current assets. As of the end of the reporting year, this share was 81%. Over the past year, non-current assets of the Company decreased by RUB 1,445 mln, or 2%.

The major share in the non-current assets structure (98%) falls within fixed assets. The balance sheet value of the Company's fixed assets is mainly changing as a result of implementation of the investment program aimed at renovation of primary production assets and due to charging of depreciation. In the reporting year, fixed assets decreased by RUB 1,220 mln, or 2 %, due to the fact that annual depreciation exceeded capital investments. Since 2011, additions to fixed assets amounted to RUB 7,461 mln, or 11%.

The main part of the Company's property is comprised of power grid complexes and independent power assets with the voltage of 110 kV and lower used for power transmission, as well as underlying land plots.

Share of current assets of the Company as of the end of the reporting year was 19%; the major part of the current assets, i.e. 76%, falls within receivables.

Non-Current Assets

The main part of the Company's property is comprised of power grid complexes and independent power assets with the voltage of 110 kV and lower used for power transmission, as well as underlying land plots.

PJSC IDGC of Center and Volga Region makes long-term financial investments in the form of investments in shares in other companies. Details on the subsidiary and dependent companies are posted on the Company's website www.mrsk-cp.ru in the section 'For Shareholders and Investors / Disclosure of Information by Issuer' (http://www.mrsk-cp.ru/stockholder_investor/disclosure_reporting_info/dzo_info/).

Property Complex

In 2015, the structure of property complex of PJSC IDGC of Center and Volga Region did not undergo considerable changes. Its main part was represented by power grid facilities with the voltage of 110 kV and

lower, which ensure power transmission and distribution. The cost of these made up 91% of the Company's fixed assets. Non-core assets accounted for about 0.04% of the Company's fixed assets.

The primary way to increase the property assets of the Company in 2015 was investment in construction of new facilities and reconstruction of existing ones.

The Company's activity is based on using its own fixed assets. At the same time, while consolidating its power grid assets, the Company lays a great emphasis on acquisition of leasehold rights. Lease contracts are generally concluded as a result of owners' tender procedures, for medium- and low-voltage grid facilities for a period of more than five years. The share of long-term contracts is 98.71% of the total number of leased power grid facilities.

In 2015, the Company's management continued implementation of the program of measures aimed at withdrawal from non-core activities. The Company sold 24 facilities in accordance with the Regulation on Sales of Non-Core Assets of PJSC IDGC of Center and Volga Region approved by the Resolution of the Board of Directors (Minutes No. 27 dated November 28, 2008) and with the Regulation on Disposal of Residential Properties and Utilities approved by the Resolutions of the Board of Directors (Minutes No. 50 dated December 25, 2009, Minutes No. 88 dated October 31, 2011).

To ensure safe and accident-free operation of the Company's power assets, areas with special use conditions are identified and registered as buffer areas of power grid facilities. Registration is made by entering corresponding data into the State Cadastral Register. This improves protection of power grid facilities and reduces risks related to improper operations of third parties in proximity to electric lines. Thus, in 2015, the Company performed works aimed at registration of buffer areas for electric lines with the total length of 14,604 km. Considering this, the following buffer areas for overhead electric lines were registered: 35 kV and higher - 99.6% of the total length of these facilities, 6/10 kV - 52% of the total length of these facilities. With allowance for works performed in 2015 for 35 kV and higher substations, the total percentage of registered buffer areas for these facilities was 99.2%.

Long-Term Financial Investments

PJSC IDGC of Center and Volga Region makes long-term financial investments in the form of ownership interests in other companies. As of the reporting date, long-term financial investments in the form of joint ventures were not conducted due to expiration of the period (terms) of their recognition as long-term ones.

Subsidiaries and Affiliates

As of December 31, 2015, five subsidiaries were in the corporate governance system of PJSC IDGC of Center and Volga Region.

The Board of Directors of the Company approved the Procedure for Interaction of PJSC IDGC of Center and Volga Region with Entities Whose Shares (Interests) are owned by the Company (Minutes No. 35 dated March 25, 2009). The full text of the document can be found on the Company's website (www.mrsk-cp.ru) in the section 'For Shareholders and Investors / Disclosure of Information by Issuer' (http://www.mrsk-cp.ru/stockholder_investor/disclosure_reporting_info/vnutrennie-dokumenty-obshchestva/?PAGEN_1=3). The document regulates the key issues of corporate interaction with subsidiary and dependent companies, specifies the procedures for making key decisions and exercising corporate control.

Details on the subsidiary and dependent companies are disclosed on the Company's website (www.mrsk-cp.ru) in the section 'For Shareholders and Investors / Disclosure of Information by Issuer' (http://www.mrsk-cp.ru/stockholder_investor/disclosure_reporting_info/dzo_info/).

Forms of Corporate Control over Subsidiary and Dependent Companies

Shareholders' control	Participation of the Company's representatives in management bodies of the subsidiary and dependent companies
Managerial control	Formulation and control of implementation of the development strategy for the subsidiary and dependent companies
	Development and introduction of unified business processes, internal documents and reports into the subsidiary and dependent companies
	Formulation and control of implementation of the HR policy for the subsidiary and dependent companies
Financial control	Planning and control of financial and business operations of the subsidiary and dependent companies

Subsidiaries and Affiliates of PJSC IDGC of Center and Volga Region

As of December 31, 2015

– Participation in core activities; other subsidiary and dependent companies are engaged in non-core activities.

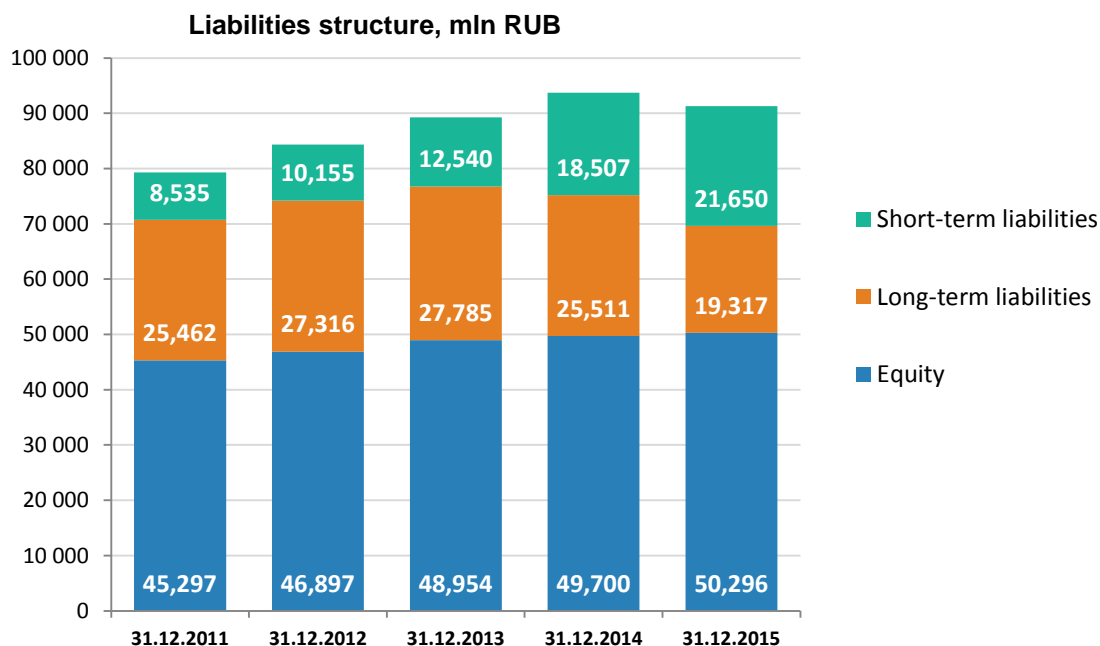
No.	Full and abbreviated name and location of subsidiary and dependent companies	Registration date	Key activities	Charter capital, RUB	The Company's share in the charter capital of subsidiary and dependent companies*, %	Revenue, RUB thous.	Net profit (loss), RUB thous.	Dividends for 2014 received in 2015, RUB thous.
1	Closed Joint-Stock Company Svet (CJSC Svet), Lunacharsky Street, Bor, Nizhny Novgorod Region	March 6, 1998	Power transmission	2,402,883	100	41,550	4,888	928
2	Joint-Stock Company Berendeevskoe (JSC Berendeevskoe), Berendeevka Village, Lyskovo District, Nizhny Novgorod Region	February 6, 2004	Production, processing and sales of agricultural products	54,670,600	100	41,480	554	56.25
3	Joint-Stock Company Automobile Transport Unit (JSC ATU), 50 Yuzhnaya Street, Orichi Settlement, Orichevsky District, Kirov Region	October 14, 2003	Transportation services, motor vehicle servicing, maintenance and repair of transport, services for re-equipment and assessment of transport	205,063,407	100	968,853	3,830	470
4	Joint-Stock Company Sanatorium-Preventorium Energetik (JSC Sanatorium-Preventorium Energetik) 10 Aviatsionnaya Street, Izhevsk, Udmurt Republic	January 10, 2003	Healthcare, medical treatment, health resort, sports and recreation, accommodations and catering services to the population	46,953,097	100	40,304	87	0
5	Joint-Stock Company Interregional Energoservice Company Energoefficiency Technologies (JSC IEC Energoefficiency Technologies), 6 Proviantnaya Street, Nizhny Novgorod	December 27, 2010	Energy services	20,000,000	51	48,943	1,633	164.73

* The Company's share in the charter capital of subsidiary and dependent companies equals the percentage of their voting shares owned by the Company.

Financial Investments in Other Shares and Interests

Information on the Company's participation in commercial organizations in which the Company's interest is less than 50% is provided in Supplement 5 to the Annual Report.

4.1.3.2. Liabilities



The largest share in the Company's liabilities structure fell within equity (capital and reserves), as it accounted for 55% of liabilities as of the end of the reporting year. The Company's equity capital increased by RUB 596 mln, or 1.2%, year on year and by RUB 4,999 mln, or 11%, since 2011.

In 2011, all the Company's branches adopted the RAB-based tariff regulation system, which ensured the recovery of borrowings raised to fund the investment activity, in the long run. In this connection, in 2010-2014, the share of equity was gradually decreasing as the Company raised borrowings to fund its investment program. In 2015, the Company decreased its debt load, which drove an increase in equity share in its liabilities.

As of December 31, 2015, the short-term liabilities of the Company increased by RUB 3,143 mln, or 17%, and the long-term liabilities decreased by RUB 6,194 mln, or 24%. These changes were mainly caused by reclassification of RUB 7,841 mln from long-term to short-term loans raised. Reclassification is carried out when the credit maturity is less than a year from the reporting date.

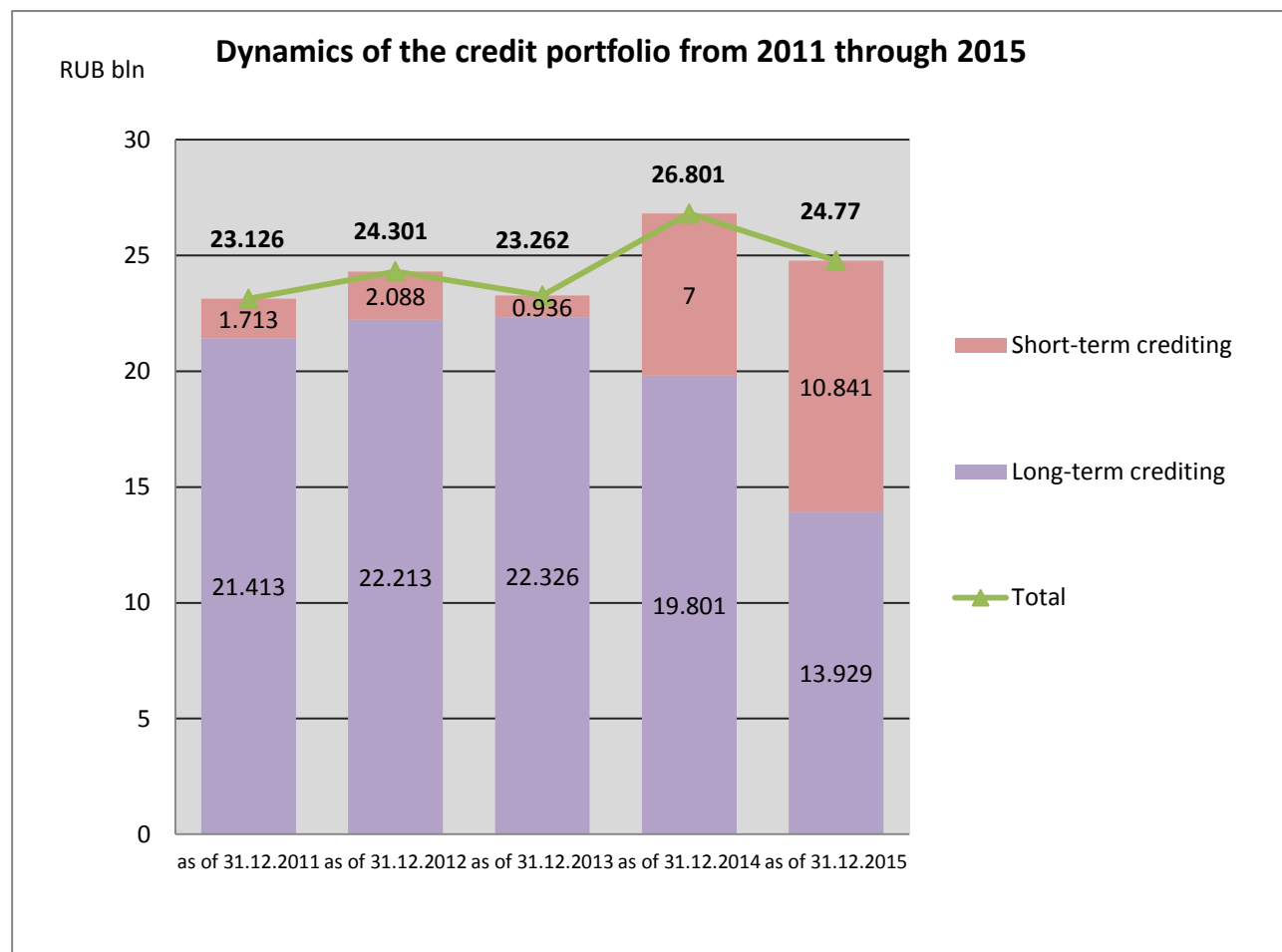
4.1.4. Credit Policy

4.1.4.1. Credit Portfolio

Credit Portfolio of the Company as of December 31, 2015

Loan type	Amount, RUB bln	Maturity
Loans	24.8	2016-2018

As of December 31, 2015, the Company's credit portfolio was RUB 24.8 bln with the repayment period from 2016 through 2018.



In 2015, the total amount of borrowings raised by the Company was RUB 1.97 bln, including RUB 179.4 mln for financing investment activities. All loan funds were raised without any pledge from the Company. Moreover, RUB 152 mln of back-up funds consisting of borrowings raised in 2014 were used for financing the Company's investment program. The total amount used for financing investment activities in 2015 was RUB 331.4 mln.

Changes in the Loans and Borrowings in 2015, RUB thous.

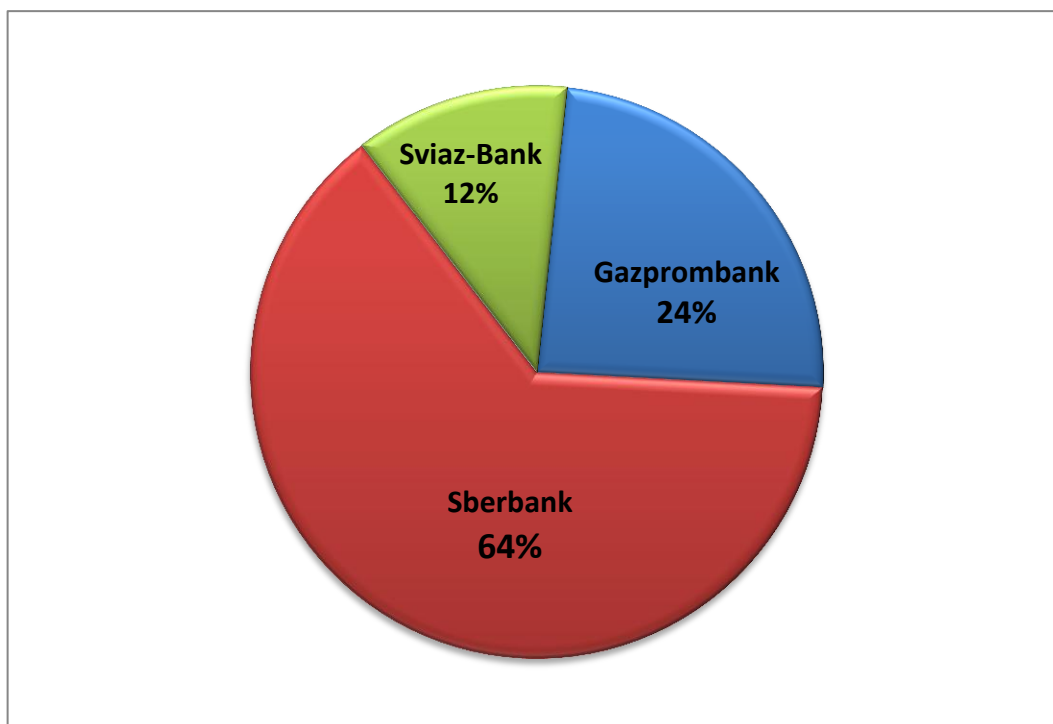
Indicators	Amount
Loans and borrowings as of December 31, 2014	26,815,660
Long-term loans and borrowings	19,800,620
Short-term loans and borrowings	7,015,040
Raised in 2015	1,969,305
Long-term loans and borrowings	1,969,305

<i>investments</i>	179,377
<i>refinancing</i>	1,789,928
Short-term loans and borrowings	0
Repaid in 2015	4,000,000
Interest accrued in 2015	2,409,397
Interest paid in 2015	2,424,437
Reclassification of debt*	
Long-term loans and borrowings	-7,841,420
Short-term loans and borrowings	7,841,420
Loans and borrowings as of December 31, 2015	24,769,925
Long-term loans and borrowings	13,928,505
Short-term loans and borrowings	10,841,420

* Transformation of the debt from long-term to short-term with a repayment period of less than a year.

The Company's weighted average credit portfolio rate as of December 31, 2015 was 8.96% p.a.

Credit portfolio by banks as of December 21, 2015



4.1.4.2. Bonded Loan

In 2015, PJSC IDGC of Center and Volga Region had one outstanding issue of the Company's bonds with the following parameters:

Series	BO-01
Security type	Exchange bonds
Registration number	4B02-01-12665-E
Volume of issue, RUB thous.	4,000,000
Number, thous.	4,000
Par value, RUB	1,000
Maturity	3 years

Coupon rate	9.15 % p.a.
Date of the issue listing	July 20, 2012
Floation date	December 18, 2012
Maturity date	December 15, 2015
Coupon yield per bond, RUB	45.62
Exchange	CPJSC MICEX Stock Exchange
Quotation list	First level

On December 15, 2015, the Company paid off this issue of exchange bonds in time and fulfilled its liabilities to their holders in full.

In 2013, CPJSC MICEX Stock Exchange listed three issues of the Company's exchange bonds, series BO-02, BO-03 and BO-04, with the total amount of RUB 15 bln and the maturity of 10 years. As of December 2015, these exchange bonds were not floated due to unfavorable conditions in the debt market in 2014-2015.

4.1.4.3. Credit Rating

In October 2012, Moody's Investors Service Rating Agency assigned the international credit rating Ba2 with a stable outlook to the Company. Moreover, Moody's Interfax Rating Agency assigned the national rating Aa2.ru to the Company.

On March 25, 2015, Moody's Investors Service confirmed the Company's long-term international credit rating at the Ba2 level. The outlook was negative. This outlook was identical to that of the Russian Federation as a whole and was caused by the current foreign-policy and economic situation in the country, but not by the credit quality of the Company. The national-scale rating was confirmed at the Aa2.ru level.

On December 7, 2015, the Company's long-term international credit rating was confirmed at the Ba2 level with the outlook changed to "stable". This action followed a similar improvement of the outlook for the credit rating of Russia as a whole.

4.1.5. Tariff Policy

4.1.5.1. General Information

PJSC IDGC of Center and Volga Region performs the following types of activities subject to government regulation:

- **Rendering of power transmission services;**
- **Rendering of services of technological connection** to the Company's power grids.

Detailed information on all types of the Company's activities is presented in the section 'Operating Performance' of this Annual Report.

Key regulatory documents governing the Company's activities are:

- Federal Law On the Power Industry No. 35-FZ dated March 26, 2003;
- Regulation of the Government of the Russian Federation On Pricing in the Area of Regulated Prices (Tariffs) in the Power Industry, No. 1178 dated December 29, 2011;
- Regulation of the Government of the Russian Federation On Approving the Rules of Technological Connection of Power Receivers of Consumers, Power Generation Facilities and Power Grid Facilities Owned by Grid Organizations and Other Entities, to Power Grids, No. 861 dated December 27, 2004;

- Order of the Federal Tariff Service (FTS) of Russia On Approving the Guidelines for Calculation of Regulated Tariffs and Prices for Electric (Thermal) Power in the Retail (Consumer) Market, No. 20-e/2 dated August 6, 2004;

- Order of FTS of Russia On Approving the Guidelines for RAB-Based Tariff Regulation No. 228-e dated March 30, 2012;

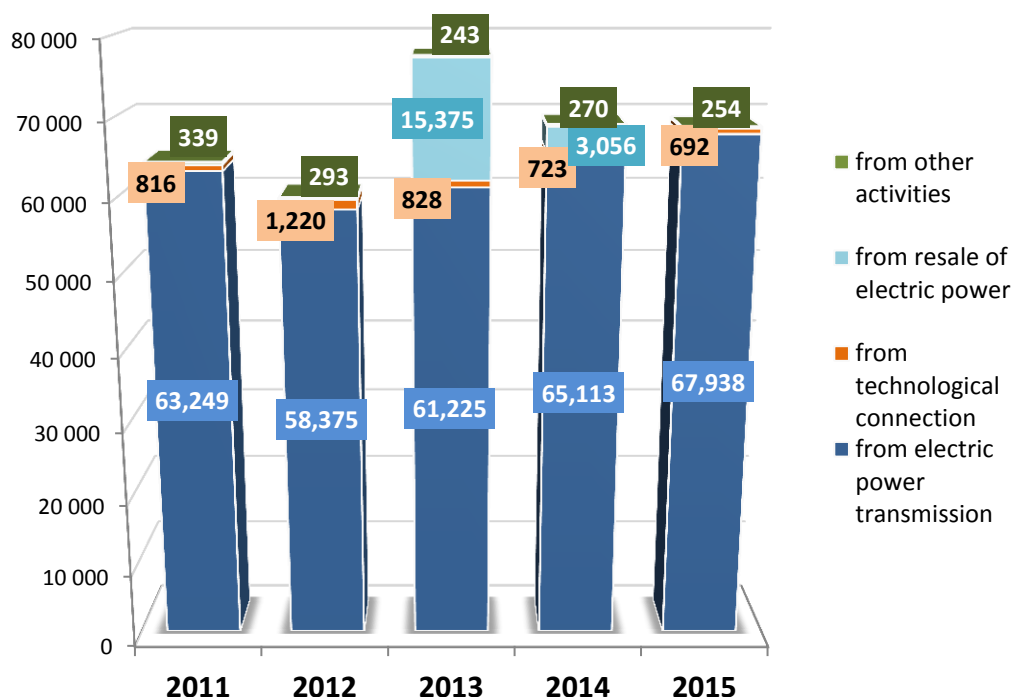
- Order of FTS of Russia On Approving the Guidelines for Determination of the Fee for Technological Connection to Power Grids, No. 209-e/1 dated September 11, 2012;

- Order of FTS of Russia On Approving the Guidelines for Determination of Shortfalls in Income related to Technological Connection to Power Grids, No. 215-e/1 dated September 11, 2014.

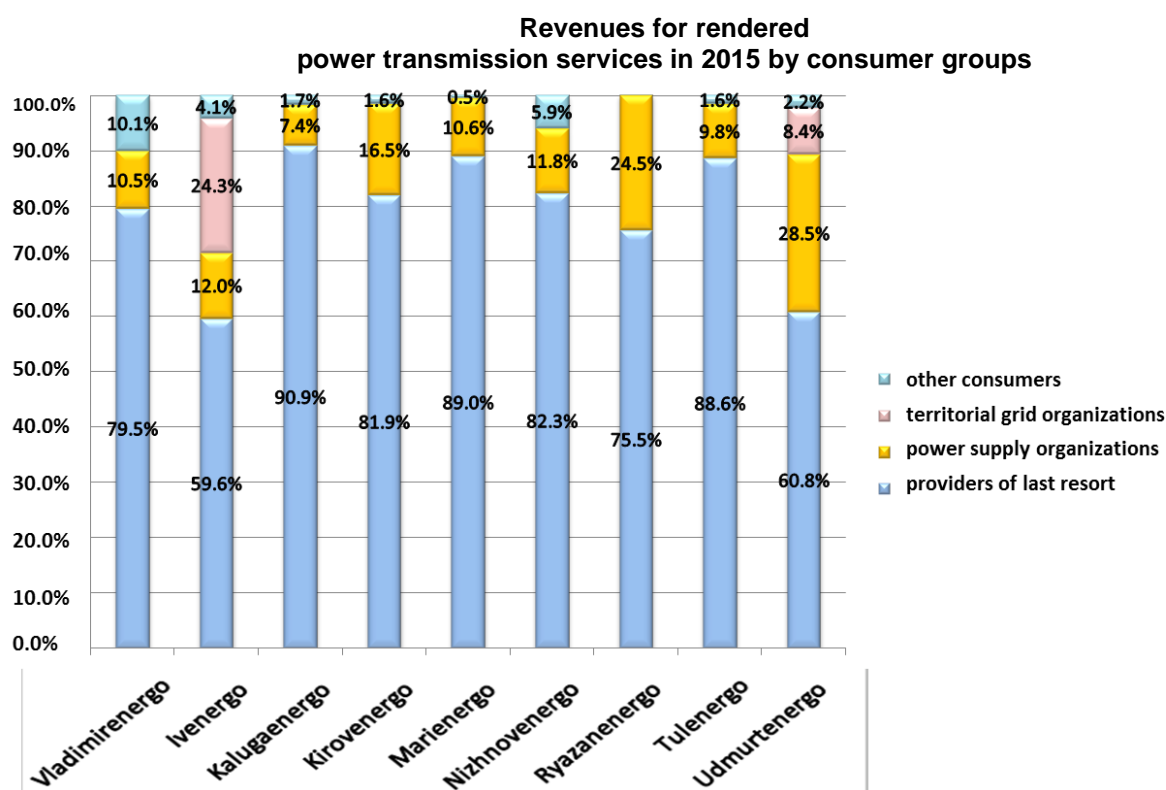
In 2015, the revenue from all activities of PJSC IDGC of Center and Volga Region amounted to RUB 68,884 mln, which represents a RUB 277 mln (or 0.4%) decrease year on year.

The revenue decrease was mainly caused by the absence of income from resale of electric power and capacity due to termination of services as a POLR in the Ivanovo Region (the Company was POLR in this region from February 1, 2013 through June 30, 2014).

Dynamics of revenue by activities in 2011-2015



Note: The revenue for 2013-2014 is presented in accordance with the accounting statements (without internal business volumes between transmission and sales (resale) of electric power).



In the revenue structure from power transmission services rendered in 2015, POLRs had the largest share, which amounted to 80.6% (RUB 54,756 mln, VAT excluded), followed by power supply organizations with 14.0% (RUB 9,509 mln, VAT excluded), direct consumers with 3.7% (RUB 2,548 mln, VAT excluded) and related territorial grid organizations with 1.7% (RUB 1,125 mln, VAT excluded).

Considering the revenue in terms of the Company's branches, the largest contribution (26.1%) was made by Nizhnovenergo (RUB 17,765 mln, VAT excluded), the smallest one (3.7%) - by Ivenergo (RUB 2,534 mln, VAT excluded).

4.1.5.2. Power Transmission Tariffs

Power transmission services are subject to tariff (price) regulation in the power industry.

Regulatory authorities of the constituent entities of the Russian Federation established the following tariffs for power transmission services:

- **Uniform (boiler) tariffs** - tariffs for settlements with service consumers located in the territory of a given constituent of the RF and belonging to the same group (category) among those which are subject to differentiation of electric power (capacity) tariffs under the legislation, regardless of whose grids they are connected to;

- **Individual tariffs** - tariffs for settlements between two grid organizations for power transmission services rendered to each other;

- **Tariffs** for power transmission services for power grid organizations, which supply power largely to a single consumer (introduced by Regulation of the RF Government No. 179 dated March 7, 2014).

Tariffs for power transmission services are established with calendar breakdown by half-year periods. At that, tariffs for the first half-year are established at the level not exceeding the respective tariffs for the second half-year of the previous regulation period as of December 31, unless otherwise provided by regulations of the Government of the Russian Federation.

Tariff regulation of all branches of PJSC IDGC of Center and Volga Region is performed on a long-term basis using the Regulatory Asset Base (RAB) method.

Transition to RAB-regulation was performed as agreed upon with FTS in several stages:

as of January 1, 2009, - Ryazanenergo and Tulenergo Branches;

as of January 1, 2010, - Vladimirenergo, Kalugaenergo and Udmurtenergo Branches;

as of January 1, 2011, - Nizhnovenergo, Marienergo, Kirovenergo and Ivenergo Branches.

In 2012, the long-term regulation period for all the branches was prolonged to 2017 and the long-term RAB parameters were established (revised) (as agreed with Federal Tariff Service).

On January 1, 2015, within the framework of implementation of the Regulation of the RF Government No. 750 dated July 31, 2014, certain regulatory authorities of the constituent entities of the Russian Federation revised the basic level of operating expenses (including the use of comparative method).

Long-term parameters of RAB-regulation established by the regulatory authorities until 2017 are presented in Supplement 5 to the Annual Report in terms of the Company's branches.

In accordance with the effective legislation, the required gross revenue (RGR) should be annually adjusted for deviation of actual and target calculation parameters, as well as for implementation of the approved investment program and achievement of reliability and quality indicators for rendered services.

Tariff Regulation in 2015

In 2015, the general precondition of tariff regulation was the federal-level limitation of growth of power-grid service tariffs from July 1, 2015 (no more than 7.5%), in accordance with the forecast for social and economic development of the Russian Federation approved by the RF Government.

In the context of the existing limitation, the order of the Federal Tariff Service No. 296-e/2 dated December 9, 2014 established the maximum levels of power transmission service tariffs for 2015 and provided for a possibility and basis for exceeding them.

The regulatory authorities of 7 constituent entities of the Russian Federation (Vladimir, Ivanovo, Kirov, Ryazan, Nizhny Novgorod and Tula Regions, as well as Mari El Republic) established power transmission service tariffs exceeding the maximum tariff levels established by FTS for an investment component. The rate of growth from July 1, 2015 was from 8.8% to 23.8%.

In 2015, the Government of the Russian Federation adopted the following regulations which affected tariff and balance decisions.

- Regulation of the RF Government No. 458 dated May 11, 2015

The Regulation made changes in the regulatory framework, including those allowing the increase in tariffs for power transmission services to individuals starting from July 1, 2015, while the ultimate tariff for electric power to individuals remained the same and the weighted average power purchase price was reduced.

The cumulative effect of implementation of this Regulation in 9 constituent entities of the Russian Federation was RUB 819 mln, including RUB 653 mln used for compensation of accumulated negative smoothing of RGR.

- Regulation of the RF Government No. 184 dated February 28, 2015

The Regulation established the criteria for deeming the owners of electrical grid facilities to be territorial grid organizations.

In 2015, provisions of the Regulation No. 184 were implemented by the regulating authorities of the Mari El Republic and the Nizhny Novgorod Region - while revising uniform (boiler) tariffs for power

transmission services, they excluded the required gross revenue of 21 territorial grid organizations inconsistent with the established criteria; the cumulative effect was RUB 19.5 mln.

Consequently, based on the tariff and balance decisions made by the regulating authorities of the constituent entities of the Russian Federation for 2015:

- **average tariff** for power transmission services was **142.49** kopecks/kWh, which is **9.4%** higher than that for 2014;

- **required gross revenue (RGR)** was approved at the rate of RUB **73,561** mln, which is **4%** higher than that for 2014.

Dynamics of average tariffs for power transmission services and required gross revenues of the branches of PJSC IDGC of Center and Volga Region are presented in the following tables and diagrams.

Dynamics of Average (Boiler) Tariffs for Power Transmission Services, kopecks/kWh

Branch	2011	2012	2013	2014	2015
Vladimirenergo	125.0	130.2	141.2	149.6	168.5
Ivenergo*	71.8	79.3	89.0	99.58	107.2
Kalugaenergo	148.6	152.7	164.0	173.7	188.4
Kirovenergo	101.1	103.6	118.4	127.1	138.2
Marienergo	124.5	128.9	142.1	128.1	144.9
Nizhnovenergo	108.4	108.2	121.3	128.5	145.8
Ryazanenergo	106.5	113.9	124.2	129.0	135.2
Tulenergo	127.3	134.9	151.2	165.7	182.9
Udmurtenergo**	88.2	90.2	95.9	85.4	85.0
PJSC IDGC of Center and Volga Region	109.9	113.2	125.1	130.19	142.5
growth, %	113.7%	103.0%	110.5%	104.1%	109.4%

*) A mixed boiler model is used in the Ivanovo Region, thus the tariff for 2010-2014 was determined on the basis of income-bearing RGR and productive supply of Ivenergo Branch.

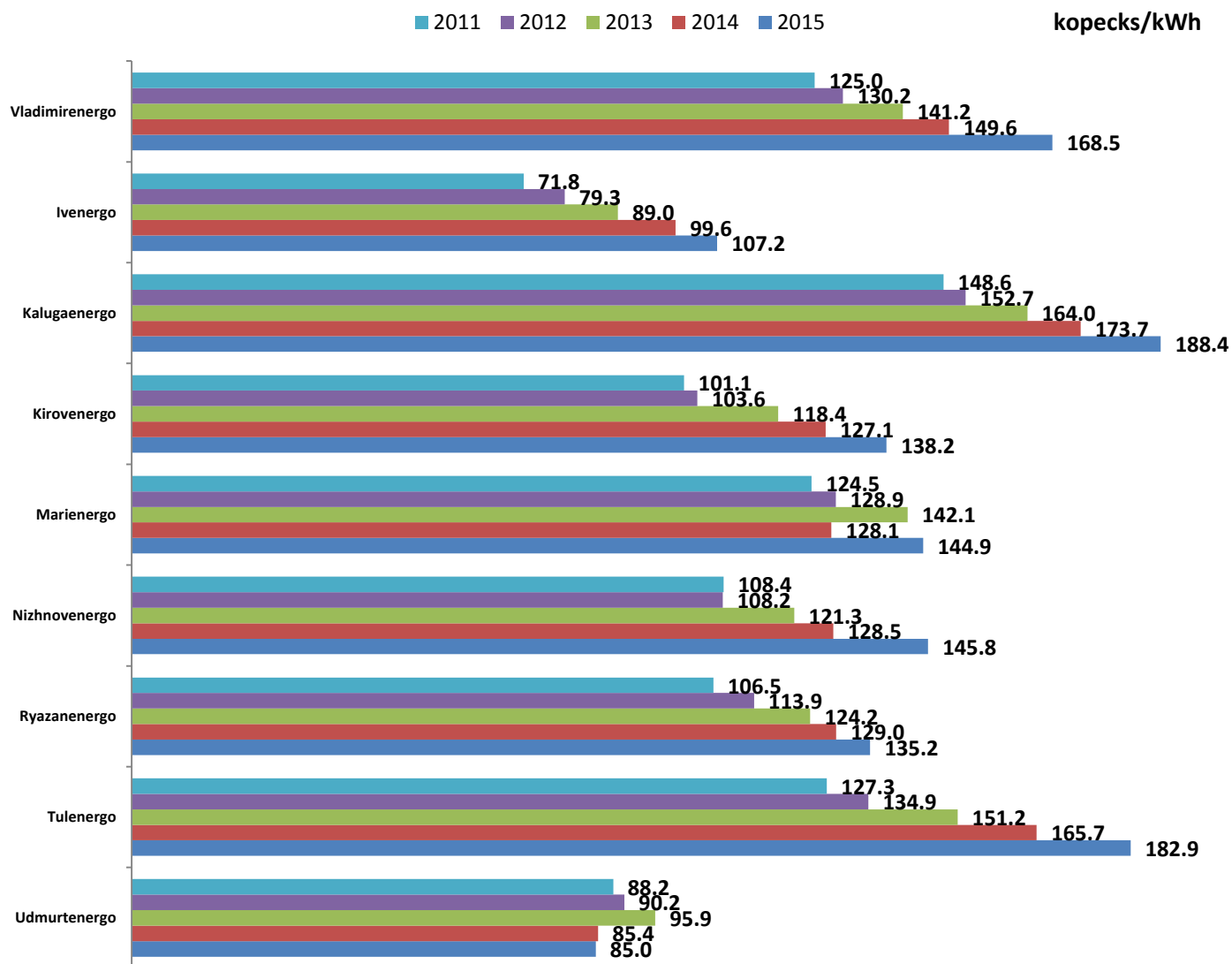
**) A model of boiler changed in the Udmurt Republic in 2014, thus the tariff for 2014 was determined on the basis of income-bearing RGR and productive supply of Udmurtenergo Branch.

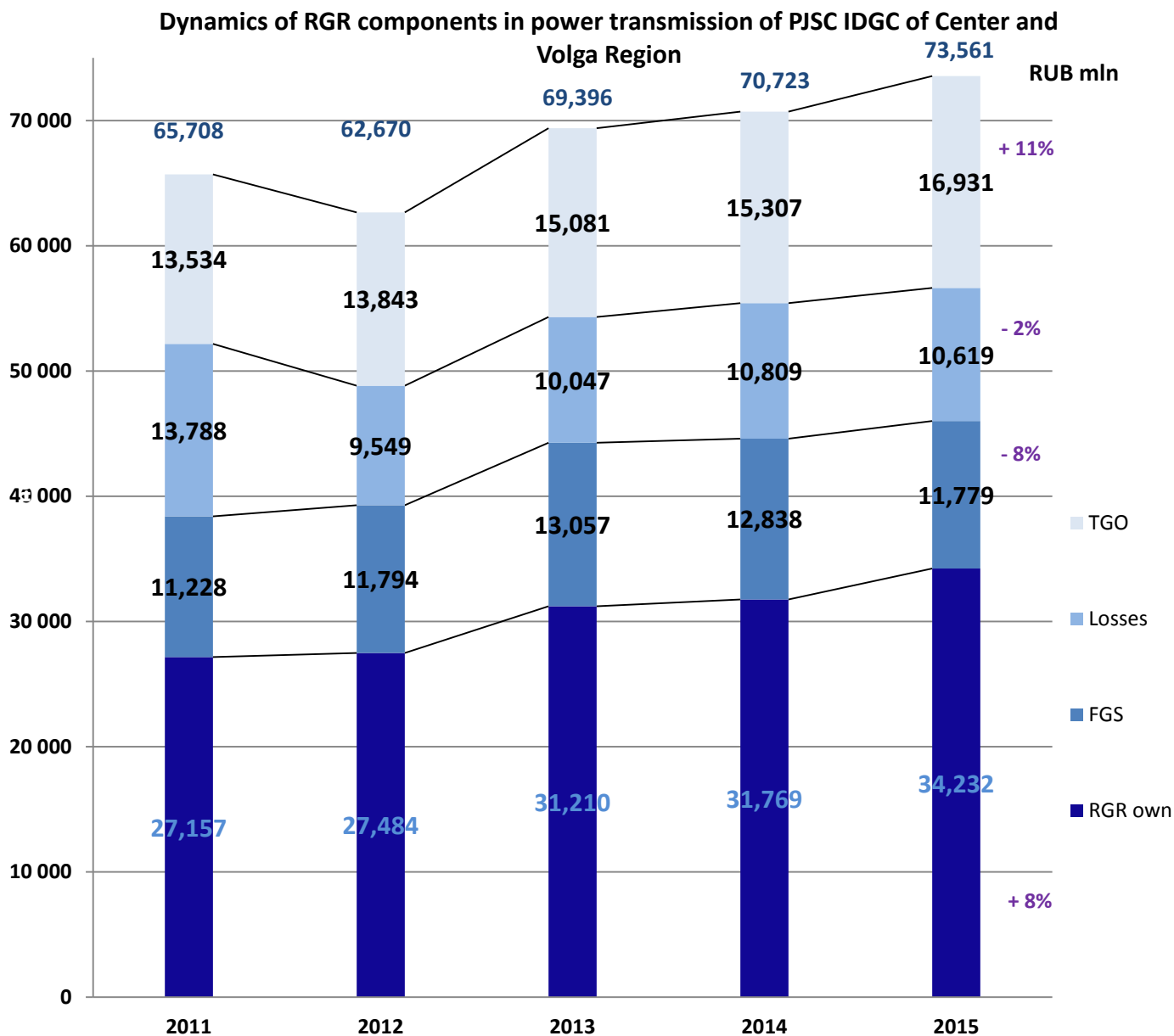
Dynamics of Required Gross Revenue, RUB mln

Branch	RGR total					RGR own				
	2011	2012*	2013	2014	2015	2011	2012	2013	2014	2015
Vladimirenergo	6,714	7,406	8,001	7,975	8,568	2,375	2,788	3,112	2,909	3,557
Ivenergo	2,252	2,442	2,705	2,919	3,008	1,076	1,110	1,266	1,586	1,395
Kalugaenergo	5,636	5,890	6,622	7,269	8,009	2,803	2,884	3,263	3,666	4,388
Kirovenergo	5,756	6,053	6,516	7,062	7,552	2,305	2,346	2,765	3,065	3,940
Marienergo	2,625	2,944	3,405	3,047	2,861	889	1,042	1,364	840	699
Nizhnovenergo	23,454	18,326	20,478	20,975	21,054	9,214	8,573	9,729	9,722	9,783
Ryazanenergo	5,184	5,572	6,091	6,440	6,805	2,259	2,574	2,842	2,943	3,285
Tulenergo	7,854	7,557	8,396	8,798	9,387	4,087	3,773	4,278	4,436	4,730
Udmurtenergo	6,233	6,480	7,183	6,239	6,319	2,149	2,395	2,592	2,603	2,455
PJSC IDGC of Center and Volga Region	65,708	62,670	69,396	70,723	73,561	27,157	27,484	31,210	31,769	34,232

*) Reduction in RGR in 2012 as against 2011 was due to the fact that the regulatory authorities of Nizhny Novgorod and Tula Regions adopted separate tariffs for power transmission services to individuals for 2012, and, accordingly, cross-subsidization was excluded from RGR.

Dynamics of average tariffs for power transmission services of the branches of PJSC IDGC of Center and Volga Region





4.1.5.3. Tariffs for Technological Connection Services

In accordance with the effective legislation, the branches prepare information on expected expenses for the upcoming regulation period, which is used by the tariff regulating authorities as a basis for approval of the following items:

- standardized tariff rates;
- rates per unit of maximum power (RUB/kW)
- a formula of payment for technological connection using established rates.

The specified rates are approved for administrative and investment (last-mile) activities.

Administrative arrangements include:

- preparation and submission of technical specifications (TS) by a grid organization to an applicant;
- grid organization's inspection of TS fulfillment by an applicant;
- grid organization's participation in inspection (examination) of the applicant's connected facilities by an official of the federal authority for power engineering supervision;
- actual connection of the applicant's facilities to power grids and enabling of a switch device by a grid organization.

Last-mile arrangements include those related to construction of power grid facilities, from existing ones to power receivers, namely:

- construction of overhead and cable lines;
- construction of sectioning switches;
- construction of package transformer substations (PTS), distribution transformer substations (DTS)

with the voltage of up to 35 kV;

- construction of supply points, substations with the voltage of 35kV and higher.

Key Principles of Determination of Rates

Standardized Tariff Rates

Standardized tariff rates as for administrative arrangements are determined on the basis of calculations which include the costs of labor, transportation and materials for performance of each separate arrangement and target maximum power for connection in prices of the target regulation period, RUB/kW.

Standardized tariff rates as for last-mile arrangements depend on labor costs in different conditions (open or rough terrain, soil type, use of special construction machinery, etc.), brand of the material used and type of the equipment installed. Such rates are calculated on the basis of local estimates in 2001 prices. Indices of changes in estimate cost of construction and installation works as recommended by the Ministry for Regional Development of the Russian Federation shall apply for transition of rates to the current prices when determining the technological connection fee.

Moreover, if the period for arrangements during the applicant's technological connections lasts for more than a year according to the technical specifications, then deflator indices allowing for the period for arrangements shall apply for calculation of the cost of arrangements.

Rates per Unit of Maximum Power

Rates per unit of maximum power as for administrative arrangements are set equal to the standardized tariff rates for similar arrangements.

Rates per unit of maximum power as for last-mile arrangements are determined using the standardized tariff rates and average actual data (on connected volumes of maximum power, length of constructed overhead and cable lines, volumes of maximum power of constructed power facilities) over three previous years.

Tariff Regulation

In accordance with the effective legislation, all branches of PJSC IDGC of Center and Volga Region had delivered their respective forecasts for expected technological connection expenses to tariff regulation authorities by November 1, 2014; those forecasts were used as a basis for approval of standardized tariff rates and the rate per 1kW of maximum power (rub/kW) for 2015.

On the basis of the presented forecasts the tariff regulating authorities of the Russian Federation made the following decisions on determination of standardized tariff rates and rates per unit of maximum power for 2015:

- Regulation of the Rates and Tariffs Department of Vladimir Region Administration as of December 11, 2014 No. 57/1;
- Regulation of the Regional Tariff Authority of Ivanovo Region as of December 31, 2014 No. 656-e/4;
- Order of the Ministry of Tariff Regulation of Kaluga Region as of December 26, 2014 No. 207-RK;
- Decision of the Regional Tariff Authority of Kirov Region as of December 26, 2014 No. 49/11-ee-2015;

- Order of the Ministry of Economic Development and Trade of the Mari El Republic as of December 29, 2014 No. 39n;
- Decree by the Regional Tariff Authority of Nizhny Novgorod Region as of December 23, 2014 No. 61/1;
- Regulation of the Head Department of Regional Energy Commission of Ryazan Region as of December 29, 2014 No. 540;
- Regulation of the Tariff Commission of Tula Region as of December 29, 2014 No. 50/1;
- Regulation of the Regional Energy Commission of the Udmurt Republic as of December 5, 2014 No. 25/3.

Technological Connection on Preferential Terms

Moreover, according to Clause 87 of the Pricing Rules, tariff regulation authorities ruled that in 2015 preferences should be provided to consumers with declared capacity of 15 kW and less (taking into account the power previously connected at the given point) which own facilities of the 3rd category of reliability (per power source), given that the distance from the boundaries of the applicant's territory to the power grid facilities of required voltage operated by the grid organization to which the application was filed, does not exceed 300 m in cities, towns and urban-type settlements, or 500 m in rural areas. The technological connection fee for the above consumers **amounted to RUB 550, VAT included.**

In 2015, shortfalls in income from TC of preferential applicants under 15 kW, in average for the company, amounted to RUB 2,595.4 mln, including those:

- from administrative arrangements - RUB 735.3 mln;
- from investment arrangements - RUB 1,860.1 mln.

Also, in accordance with Federal Law No. 35-FZ dated March 26, 2003 On Electric Power Industry (Article 23.2), from October 1, 2015 onwards preferences are granted for TC of power receivers with maximum power under 150 kW. The above consumers shall pay 50% of the cost of last-mile arrangement as part of their technological connection fee.

In accordance with the Pricing Rules, shortfalls in income from TC of preferential applicants shall be considered while setting tariffs for power transmission services.

Average Approved Tariff Rates

Table 1 shows average standardized tariff rates for 2015 calculated in accordance with the decisions of regulation authorities.

Average Standardized Tariff Rates, Arrangements*

Table 1

Type of standardized tariff rate	Vladimir energo	Ivenergo	Kaluga energo	Kirov energo	Mari energo	Nizhnov energo	Ryazan energo	Tul energo	Udmurt energo
Rate of coverage of TC costs related to administrative arrangements - S1, RUB/kW, including:	155	197	153	346	75	42	91	253	285
- preparation and submission of technical specifications (TS) by a grid organization to an applicant	34	39	63	115	14	8	19	86	44
- grid organization's inspection of TS fulfillment by an	8	53	18	72	22	12	28	44	32

applicant									
-grid organization's participation in inspection (examination) of the applicant's connected facilities by an official of the federal authority for power engineering supervision	2	24	9	5	3	1	7	37	1
- actual connection of the facilities to power grids and enabling of a switch device by a grid organization	111	81	63	154	36	21	37	86	208
Rate of coverage of the grid organization's OL construction costs - S2, RUB/km	1,107,890	1,063,903	1,630,508	1,504,389	1,135,043	995,145	969,904	1,478,324	938,727
Rate of coverage of the grid organization's costs related to construction of cable lines - S3, RUB/km	2,127,344	2,098,456	2,088,080	1,733,432	1,748,159	2,747,793	1,962,031	1,670,293	2,649,676
Rate of coverage of the grid organization's costs related to SS construction - S4, RUB/kW	5,672	5,472	3,693	4,156	3,752	8,409	3,733	6,924	4,005

* average standardized tariff rates are given in 2015 prices,

Standardized tariff rates for all branches of PJSC IDGC of Center and Volga Region are approved both for administrative and investment arrangements depending on voltage class and maximum power range.

In addition to that, the last-mile arrangements rates are approved at all branches of PJSC IDGC of Center and Volga Region except for Tulenergo and Udmurtenergo depending on material brand, type of the equipment used and work method used.

Table 2 shows average rates per unit of maximum power calculated in accordance with the decisions of regulation authorities.

Average Tariff Rates per Unit of Maximum Power, Arrangements

Table 2

Type of rate, RUB/kW	Vladimir energo	Ivenergo	Kaluga energo	Kirov energo	Mari energo	Nizhnov energo	Ryazan energo	Tulenergo	Udmurt energo
Rates of coverage of TC costs related to administrative arrangements	are set equal to the standardized tariff rates of similar administrative arrangements								
Rate of coverage of the grid organization's OL construction costs	5,994	6,838	9,628	13,722	15,560	6,068	24,891	10,231	6,144
Rate of coverage of the grid organization's costs related to construction of cable lines	1,510	9,977	8,703	5,385	2,027	37,485	20,384	7,892	5,811

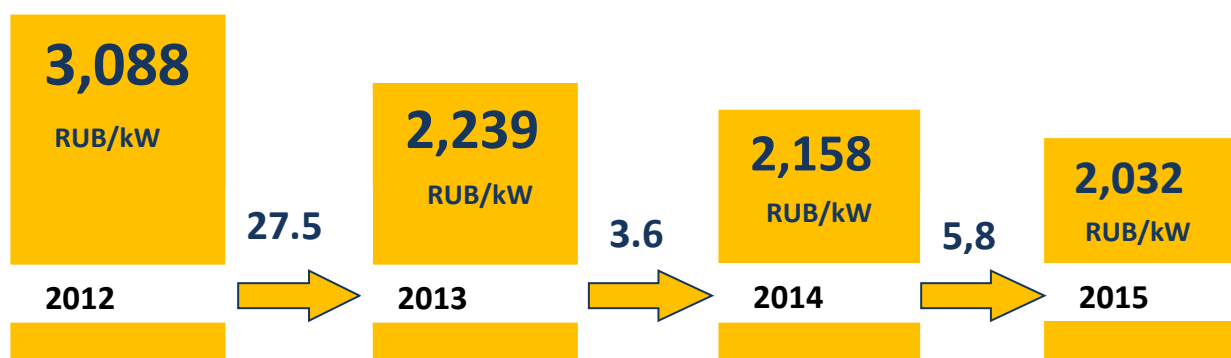
Rate of coverage of the grid organization's costs related to SS construction	5,672	5,472	3,693	4,156	3,752	8,409	3,733	6,924	4,005
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Rates per unit of maximum power for all branches of PJSC IDGC of Center and Volga Region are approved both for administrative and investment arrangements depending on voltage class and maximum power range.

In addition to that, the rates of SS construction are approved at all branches of PJSC IDGC of Center and Volga Region except for Kirovenergo, Tulenergo and Udmurtenergo, depending on type of the equipment used.

In general, the average rate per unit of maximum power (RUB/kW) decreased by 34.2% over the last 4 years across PJSC IDGC of Center and Volga Region. The schedule shows dynamics of changes of the rate mentioned above.

Dynamics of Average Tariff Rates per Unit of Maximum Power



Analysis of the rate changes demonstrates that the Russian government methodically implements the policy intended to reduce the TC costs, namely:

- ✓ exclusion of profit tax, expenses related to arrangement of automated metering systems, telemetry, relay protection devices, communication devices and capacitance current compensation devices from the TC fee starting from 2013;

- ✓ introduction of new national cost estimating standards in 2014. Application of new rates resulted in a general decrease in standardized tariff rates and, consequently, a decrease in rates per unit of maximum power;

- ✓ Preferential Terms of Technological Connection for Power Receivers with Maximum Power of 150 kW

Payment Calculation for Individual Project

Besides, in 2015 in the branches of PJSC IDGC of Center and Volga Region, technological connections were carried out under individual projects as established by the effective legislation. A specific feature of determining the payment for an individual project lies in development of separate cost estimate for technological connection of each particular applicant.

In general across the Company, in 2015, the technological connection fee was established for individual projects for 23 consumers with maximum declared power of 223.8 MW worth RUB 1,732.4 mln.

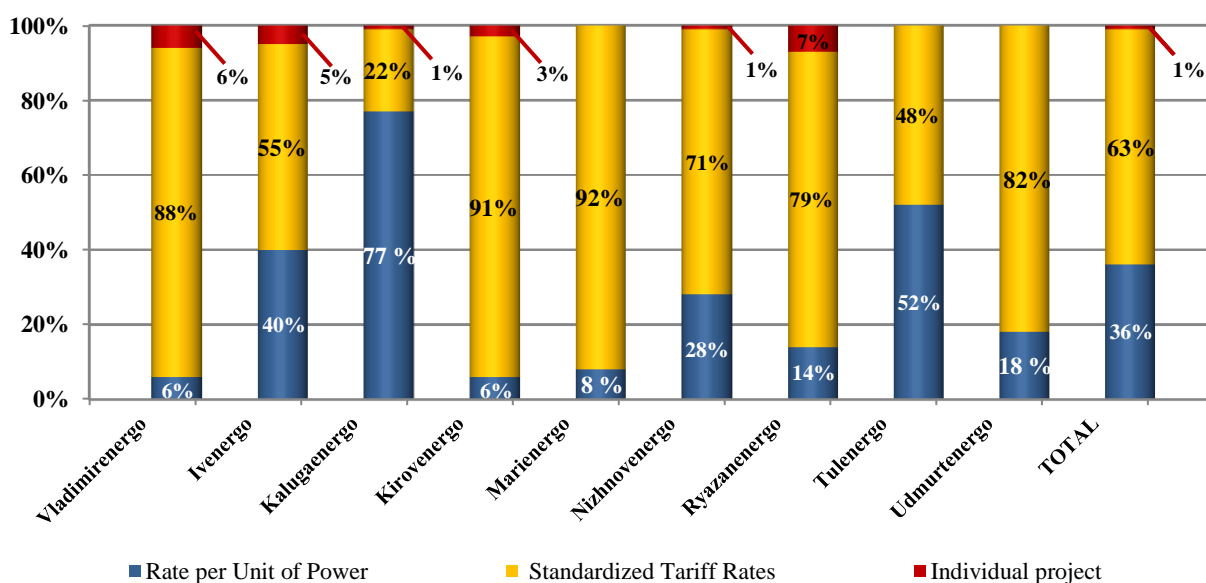
Selection of Payment Rates When Concluding a Technological Connection Agreement

In accordance with the effective legislation, an entity intending to perform technological connection is entitled to choose the type of technological connection fee rate, excluding individual projects. An applicant shall select the fee rate at the stage of conclusion of a technological connection agreement.

The amount of a technological connection agreement shall be calculated using the established rates of those arrangements which are specified as the grid organization's obligations as per the issued technical specifications.

The degree of using specific types of rates when concluding a technological connection agreement with last-mile liabilities in 2015 is graphically presented in the diagram below.

Breakdown of TC Fees Used under the Agreements Concluded in 2015



Analysis of the technological connection agreements concluded in 2015 shows that, at the stage of agreement conclusion, the applicants choose as follows:

- at Vladimirenergo, Kirovenergo, Marienergo, Nizhnovenergo, Ryazanenergo and Udmurtenergo Branches, predominantly standardized tariff rates which in the best way reflect the economic feasibility of TC fee depending on brands and types of the materials used and work methods applied under conditions of various voltage levels;

- at Ivenergo and Tulenergo Branches, both standardized tariff rates and rates per unit of maximum power almost in equal measure;

- at Kalugaenergo Branch, mostly rates per unit of maximum power.

In terms of frequency of use of the rates on average in the Company, standardized tariff rates to rates per unit of maximum power ratio is approximately 2:1.

4.1.6. Procurement Activities

Procurement activities of PJSC IDGC of Center and Volga Region are subject to the Regulations on Procurement of Goods, Works, Services as approved by the Board of Directors of the Company on December 25, 2015, (Minutes No. 208) and developed in accordance with Federal Law No. 223-FZ dated July 18, 2001, On Procurement of Goods, Works, Services Made by Legal Entities of Different Types.

The Regulations on Procurement of Goods, Works, Services for the needs of PJSC IDGC of Center and Volga Region (hereinafter, the Regulations) govern the procedures for procurement of goods, works and services (products) regardless of their cost. The Regulations are binding upon the Company's business units involved in procurement activities for the Company's needs.

Procedural regulation of procurement is used to ensure target and effective expenditure of funds, as well as economic feasibility of costs.

In procurement activities, the Company seeks to maximize the openness of procurement procedures under regulation, form a transparent competitive environment and use electronic trading platforms. Information on the procurement procedures under regulation is available on the official website of the Russian Federation designed for posting information on placement of orders (www.zakupki.gov.ru), on the electronic trading platform of PJSC Russian Grids (www.rosseti.ru), on the B2B-mrsk electronic trading platform (www.b2b-mrsk.ru) and on the official websites of the Company (www.mrsk-cp.ru) and its branches.

The plan for procurement of goods, works and services is developed taking into consideration a decrease in investment expenses under the strategy of power grid industry development in Russia. Target (marginal) procurement cost of the investment projects related to power grid capital facilities is calculated taking into consideration a decrease in investment expenditures by 30% in comparison with 2012.

97.5% of the total amount of procurement procedures and 99.4% of total procurement volume in value terms was implemented on electronic trading platforms in 2015.

The share of open procurement procedures accounted for 98.0% of the total amount of procurement procedures and 99.6% of total procurement volume in value terms.

Procurement procedures consist of:

- open competitions - 46.5% of total procurement volume in value terms;
- open requests for quotations - 44.6%;
- open requests for proposals - 8.2%
- open auctions - 0.3%.

Procurement from a single source accounted for 0.4% of total procurement volume in value terms.

In 2015, there were 2,529 procurement procedures amounting to RUB 23,202,942.023 thous., VAT included, in total.

The procurement structure by activities is as follows:

New construction and expansion of power grid facilities - 265 procurement procedures worth RUB 1,352,143.41 thous., VAT included (10.5% of total number of procurement procedures and 5.8% of total procurement volume in value terms);

Renovation and technical re-equipment of power grid facilities - 1,249 procurement procedures worth RUB 4,518,245.74 thous., VAT included (49.4% of total number of procurement procedures and 19.5% of total procurement volume in value terms);

Power repair (repair) works, maintenance - 748 procurement procedures worth RUB 5,140,183.17 thous., VAT included (29.6% of total number of procurement procedures and 22.1% of total procurement volume in value terms);

IT procurement - 75 procurement procedures worth RUB 633,539.39 thous., VAT included (3.0% of total number of procurement procedures and 2.7% of total procurement volume in value terms);

Consulting services - 3 procurement procedures worth RUB 8,510.00 thous., VAT included (0.1% of total number of procurement procedures and 0.04% of total procurement volume in value terms);

Other procurement - 189 procurement procedures worth RUB 11,550,320.313 thous., VAT included (7.4% of total number of procurement procedures and 49.8% of total procurement volume in value terms).

250 semi-constant procurement procedures worth RUB 14,926,197.06 thous., VAT included.

Information on Participation of Small and Medium-Sized Enterprises:

1. Total number of completed procedures with period of notice from July 01, 2015 - 2,008 procedures worth RUB 22,416,112.70 thous., VAT included. Exclusive of the procurement procedures that are not taken into account for the purpose of procurement calculation according to the Federal Law No. 1352 dated December 11, 2014, On Participation of Small and Medium-Sized Enterprises in Procurement of Goods, Works, Services Made by Legal Entities of Different Types - 1,659 procedures worth RUB 8,896,258.93 thous., VAT included.

- small and medium-sized enterprises were chosen as winning bidders in 1,556 procedures out of the above number. Procurement amount - RUB 6,952,374.17 thous., VAT included (78.1% of total volume of procurement in value terms) (Clause a) of the Federal Law);

- Conditions of mandatory participation of small and medium-sized enterprises are specified in 1,055 procurement procedures worth RUB 3,669,088.60 thous., VAT included (41.2% of total volume of procurement in value terms) (Clause b) of the Federal Law).

2. Total number of completed procedures inclusive of semi-constant procedures in 2015 - 2,779 procedures worth RUB 38,129,139.08 thous., VAT included. Exclusive of the procurement procedures that are not taken into account for the purpose of procurement calculation according to the Federal Law No. 1352 dated December 11, 2014, On Participation of Small and Medium-Sized Enterprises in Procurement of Goods, Works, Services Made by Legal Entities of Different Types - 2,414 procedures worth RUB 14,767,418.99 thous., VAT included.

- small and medium-sized enterprises were chosen as winning bidders in 2,218 procedures out of the above number. Procurement amount - RUB 9,825,059.86 thous., VAT included (66.5% of total volume of procurement in value terms) (Clause a) of the Federal Law);

- Conditions of mandatory participation of small and medium-sized enterprises are specified in 1,256 procurement procedures worth RUB 4,650,160.64 thous., VAT included (31.5% of total volume of procurement in value terms) (Clause b) of the Federal Law);

In 2015, the following operations were carried out to improve organization and implementation of procurement activities:

- Quarterly assessment of the procurement activities performance;
- Training of representatives of the procurement units of branches and Company executive apparatus in organization and implementation of procurement activities;

Engagement of small and medium-sized enterprises to join the Program of Partnership between PJSC IDGC of Center and Volga Region and small and medium-sized enterprises.

- Provision of information to small and medium-sized enterprises regarding procurement activities of PJSC IDGC of Center and Volga Region.

The above measures allowed the Company to obtain the economic effect as a result of procurement procedures completed to the amount of RUB 531,132.21 thous., VAT included, or 2.2% of the target declared cost of competitive procurement.

4.2. Human Resources Policy

4.2.1. HR Policy

HR policy of the Company is formed in accordance with the requirements of the Russian legislation, Tariff Agreement for the Power Industry (hereinafter "TA"), Collective Labor Agreement of PJSC IDGC of Center and Volga Region, HR and Social Policy of PJSC IDGC of Center and Volga Region and ISO 9001:2008, ISO 14001:2004, OHSAS 18001:2007, ISO 50001:2011 standards.

The key objectives of HR and social policy are to promptly meet the Company's demand for workforce of the required quality and ensure the efficiency of personnel activities and increase in productivity. The Company pays special attention to improving quality and efficiency of the use of human resources, encouraging personnel to achieve the Company's objectives and develop professional skills. High qualification required from personnel of the power grid complex requires significant volume of investment in social and professional development of the Company's employees.

These key objectives of HR and social policy are being achieved by means of implementation of measures in various areas of activity and achieving of set targets:

- in the field of organizational design;
- in the field of staffing support and personnel development;
- in the personnel performance management (personnel motivation);
- in the field of social benefits and social protection;
- in the field of occupational safety and work culture.

The social policy of the Company is aimed at creation of favorable conditions for ensuring high living standards for workers, health promotion, improvement of education and culture of the personnel working for PJSC IDGC of Center and Volga Region.

The Company's remuneration system is based on the principles of uniformity and transparency, and equal remuneration of labor of equal significance. The amount of remuneration depends on qualification of the employee and difficulty of the work as well as quality and quantity of work done by the employee.

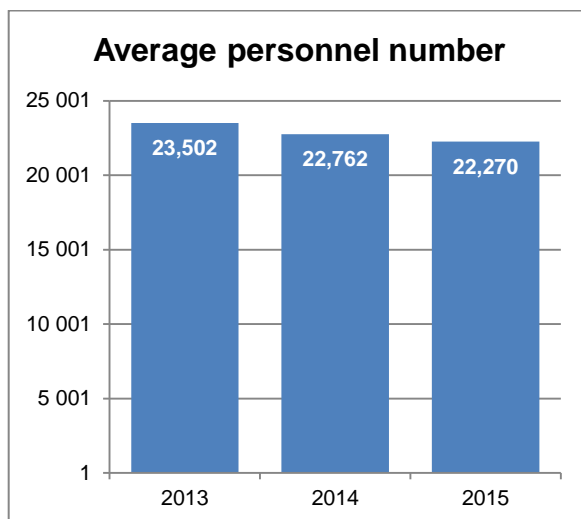
The salaries of all the Company's employees comprise both fixed compensation, i.e. basic salary, premiums and increments, and a bonus.

4.2.1.1. Number and Structure of the Personnel

In 2015, the average personnel number of PJSC IDGC of Center and Volga Region reached 22,270, which is 2.2% less than in 2014. This decrease in the personnel number was mainly caused by the fact that PJSC IDGC of

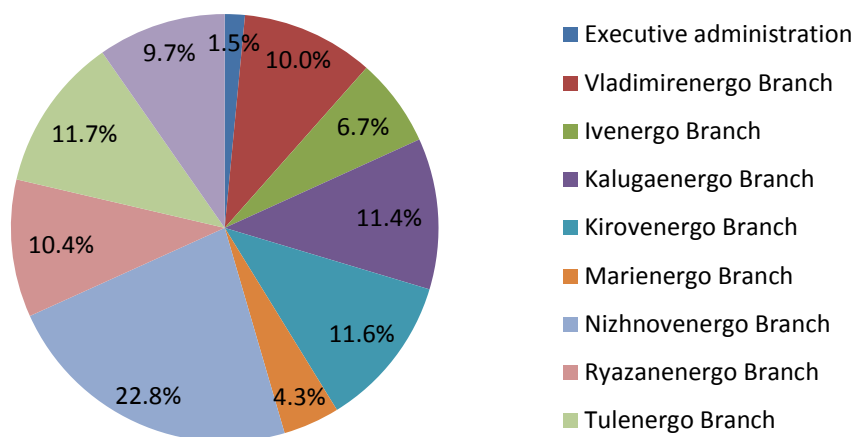
Center and Volga Region was deprived of the status of provider of last resort and, therefore, retail employees in Ivenergo and Tulenergo were dismissed. It was also connected with measures aimed at optimization of administrative personnel number. The difference in the average personnel number of PJSC IDGC of Center and Volga Region from 2013 through 2015 was caused by the fact that retail employees were dismissed in the second half of 2014.

Average personnel number
in 2015
reached 22,270



Dynamics of the average personnel number of PJSC IDGC of Center and Volga Region from 2013 through 2015, people.

Average personnel allocation in 2015, people.



Personnel Allocation in 2015, People.

The staffing level of PJSC IDGC of Center and Volga Region has been consistent for the last three years and maintained at a sufficiently high level - not lower than 97%.

In 2015, the staffing level in the Company was
97.3%

The average age of workers in 2015 was 43 (43 in 2014). The share of 25-50-year-old workers increased by 1 percentage point as compared to 2014 while the share of workers of pre-retirement age decreased by 1 percentage point.

The Company's personnel is characterized by a sufficiently high level of qualification – about 84% of the personnel received vocational education and training. This index shows good dynamics as it increased by 3.1 percentage points over the last three years.

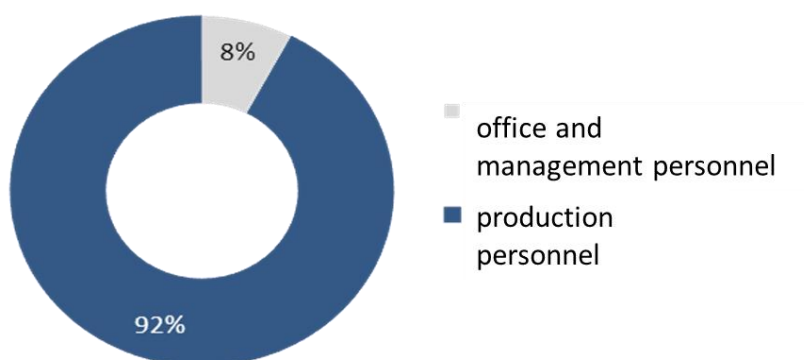
4.2.1.2. HR Training and Development

Training is one of the priorities of the Company's HR policy, which follows provisions of HR and social policy of PJSC IDGC of Center and Volga Region as well as the standard "Management System of Training, Retraining, Advanced Training, Protection of Occupational Health and Safety. Procedures for Organization and Performance of Staff Management" and a provision on training and development of the Company's personnel.

From 2012 through 2015, the share of employees participating in annual training activities on a day-release basis never fell below 30%, which matches Company's HR and social policy objectives. In the reporting year, 11,829 employees were involved in training activities on a day-release basis, or 53% of the average personnel number.

The majority of employees involved in training activities (92%) belong to production personnel.

The breakdown of trained personnel by categories: office and management personnel, production personnel and supporting personnel is shown below:

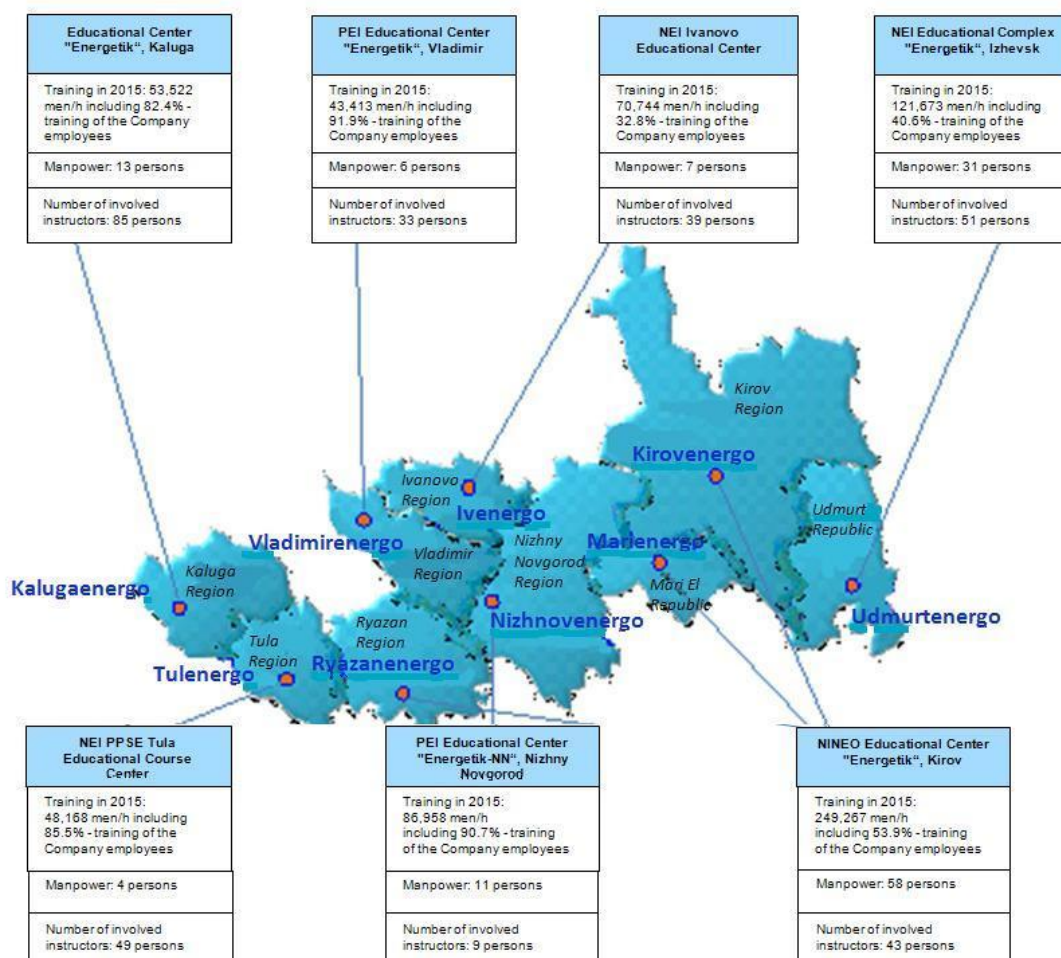


The breakdown of the personnel that took part in training activities on a day-release basis by categories, %

69% of the total number of the employees involved in training activities (8,198 people) received training at educational centers of the Company.

Map of Educational Centers of the Company

Educational Centers of the Company



Training personnel at corporate educational centers involves the following advantages:

- unified standards and methods of training;
- training methods that follow the Company's strategy;
- prompt response and modification of the training process, if necessary;
- use of corporate training ranges;
- cost reduction;
- development of the personnel skills according to the Company's requirements;
- assessment of training efficiency.

Key training providers, besides corporate training centers, are as follows:

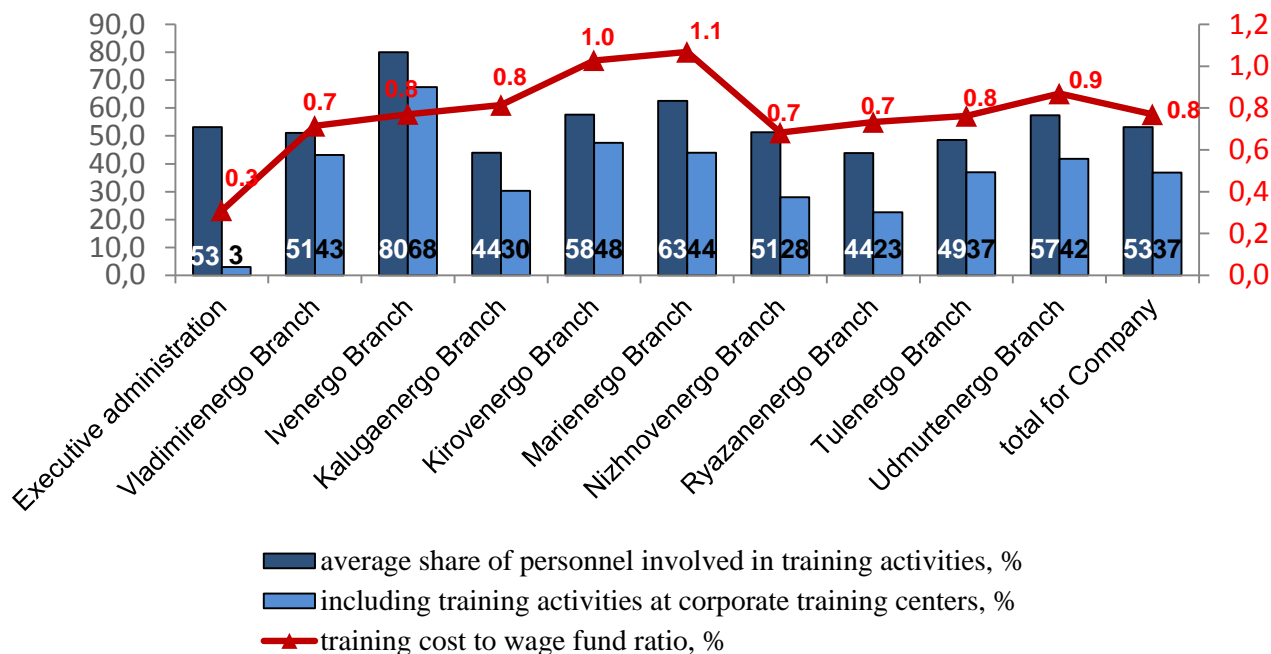
- FSBEI HPE National Research University Moscow Power Engineering Institute (MEI) and its branches;

FSBEI HPE Ivanovo State Energy University named after V.I. Lenin;

Standardization, Metrology and Certification Academy and its branches.

Actual expenditures on personnel training (regardless of its sources) amounted to RUB 84,811.8 thous., with RUB 52,641.7 thous. (62%) spent on training of personnel at corporate training centers. Actual training costs to wage fund ratio in the reporting year was 0.8% (0.7% in 2014), which was driven by the necessity of training activities designated to maintain the required personnel qualification level as well as implementation of provisions of regulatory documents.

The share of employees involved in training activities on a day-release basis and the ratio of actual training costs to wage fund in the reporting year, %



High shares of employees involved in training activities at Ivenergo (80%) and Marienergo (63%) can mostly be attributed to training frequency plan under the program for advanced training and professional development of personnel.

Cooperation with Educational Institutions

Cooperation of PJSC IDGC of Center and Volga Region with educational institutions involves 32 higher educational institutions (14 of them are basic ones) and 20 secondary specialized educational institutions. Key educational institutions are as follows:

- FSBEI HPE National Research University Moscow Power Engineering Institute (MEI) and its branches;
- FSBEI HPE Ivanovo State Energy University named after V.I. Lenin;
- FSBEI HPE Ural Federal University named after B.N. Yeltsin, First President of Russia;
- FSBEI HPE Ryazan State Radiotechnical University (Ryazan).

Cooperation of PJSC IDGC of Center and Volga Region with educational institutions includes the following activities involving students of higher and secondary specialized educational institutions, their parents and teachers:

- Career guidance courses for students;
- Student construction brigades;
- Internship;
- State-funded target training at higher educational Institutions, including education with study allowance sponsored by the Company;

- Inclusion of students of higher and secondary specialized educational institutions into the Company's talent pool;
- Training programs update;
- Internships for professors;
- Suggestion of topics for graduation theses;
- Participation of technical managers in the training process;
- Participation in state examination committees;
- Contribution to facilities and resources;
- Engagement of students and professors in research papers competitions held by the Company;
- Personnel training.

Among the most significant cooperation activities implemented in the reporting year are:

- Execution of contracts for target training, including education with study allowance sponsored by the Company, given subsequent work at Company branches located in remote areas or areas with labor shortage;
- engagement of students and professors in research papers competitions held by the Company.

Annually, the Company arranges work for student construction brigades of Russian power grid industry. 100 students of electrical and engineering faculties participated in this project in the reporting year. 23 best students participated in VI Power Grid Industry Student Brigades Rally, organized by PJSC Russian Grids in Moscow.

Annually, various career guidance courses - meetings with students, Company presentations, power facilities tours, electrical safety lectures, etc. are organized by the Company in order to increase the number of school graduates willing to become professionals in the fields most required by the Company.

4.2.1.3. Talent Pool of the Company

Building the talent pool is one of the main areas of the Company's work in HR management. The Company's work with its talent pool is aimed at preparation of succession candidates who will perform efficient professional activities in new positions and suggests not only training, but also motivation of succession candidates with a view to retaining them in the organization.

There are the following types of talent pools in the Company:

- management talent pool;
- youth talent pool;
- key personnel talent pool.

The management and youth talent pools are formed at two levels: at the Company level and at the level of branches.

The management talent pool at the Company level is designated to take positions of deputies of General Directors and deputies of heads of branches as well as managers of Company business units.

The management talent pool at the level of branches is designated to take positions of managers of business units at branches as well as heads and chief engineers of production departments.

In 2015, the management talent pool of the Company included 834 most promising employees. The level of the management talent pool in the Company as of the end of the reporting period was 95%.

Building the youth talent pool in the Company is mainly aimed at involvement of young employees in solving topical problems of the power grid industry, improvement of their professional competence, finding high-potential young specialists and assistance in their career.

The youth talent pool of the Company as of the end of the reporting period included 164 employees.

Efficiency of the talent pool directly depends on conditions for development of succession candidates. The Company approved target positions for each member of the talent pool, formed individual plans for development and assigned mentors to them from among the most competent employees of the Company, who should assist succession candidates in assimilation of target positions. Implementation of individual plans for development was systematically monitored by the HR Department.

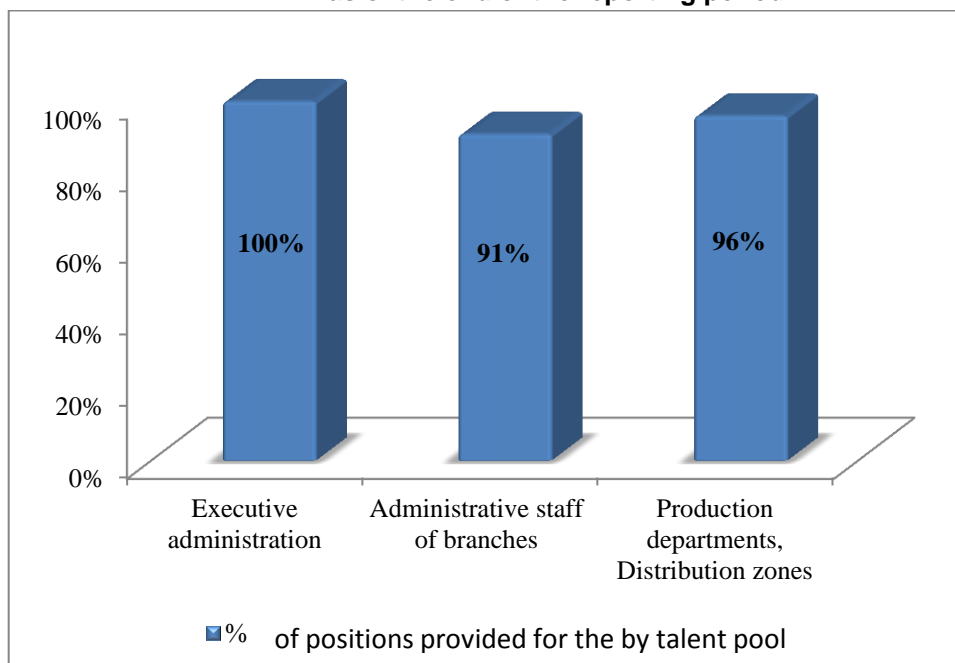
In 2015, all the succession candidates had an opportunity to participate in training activities aimed at development of management competences. In order to gain practical management skills, succession candidates performed the employment duties of superiors during their annual leaves and temporary absence.

Members of the talent pool represent the Company at important industry events. For instance, in 2015 young specialists of the Company participated in the following events:

- International Forum of Young Power Engineers and Industrialists "Forsage 2015";
- International Power Industry Forum RUGRIDS-ELECTRO 2015;
- International Forum for Energy Efficiency and Energy Saving ENES-2015.

In 2015, 44 employees from the Company's talent pool were promoted.

Level of the management talent pool in the Company as of the end of the reporting period



In 2015, 53% of positions were filled with internal candidates, with 3% thereof (44 people) filled with talent pool candidates. 11 employees thereof had belonged to the management talent pool; 6 talent pool candidates were promoted to key positions and 5 talent pool candidates were promoted to other positions as part of personnel rotation. The remaining 33 employees had belonged to the youth talent pool; they were assigned to new positions: 17 talent pool candidates were assigned to key positions and 16 talent pool candidates were assigned to other positions as part of personnel rotation.

4.2.2 KPIs and Information on their Achievement

Achievement of priority objectives of the Company's development is assessed on the basis of the Key Performance indicators (KPIs) system used by the Company.

In 2015 the Company performance indicators were significantly changed to take into account the priorities defined by the power grid complex development strategy set out by Regulation of the Government of the Russian Federation No. 511-r, bring the indicators in line with the objectives of the Company long-term development program and implement certain directives of the Government of the Russian Federation.

The main goals considered in the system of KPIs of the General Director of the Company are:

- improvement of reliability and quality of power supply;
- improvement of power supply safety;
- reduction in investment and operating expenses;
- implementation of the investment program.

The system of key performance indicators of the General Director of the Company is based on:

- Clause 52 of Article 15 of the Articles of Association;
- resolution of the Board of Directors of PJSC IDGC of Center and Volga Region dated March 2, 2015 (Minutes No. 178) on issue No. 8: On Procedure for Calculation and Evaluation of Achievement of Key Performance Indicators of the General Director of the Company.

The following KPIs and their values were established for 2015:

KPIs	Key values in 2015
Quarterly KPIs:	
No increase in the number of major failures	No increase
No increase in the number of people injured in accidents	No increase
Financial stability indicator - financial leverage ratio	≤1.5 or according to the values in the business plan (with credit capacity group taken into account)
Annual KPIs:	
Total shareholder return (TSR)	≥ average value of the indicator for the companies included in the basis for calculation of MICEX index - Power (MICEX PWR) as of the end of the reporting period or ≥ average value of the indicator over the last three years preceding the reporting year
Return on invested capital (ROIC)	≥ 0.9
Decrease in specific operating expenses	≥ the value specified in the business plan
Level of energy losses	≤ the value specified in the business plan
Achievement of reliability level of the services rendered	1
Decrease in specific investment costs	≥ 15 %
Compliance with commissioning plan	≥ 95 %
Compliance with TC due dates	≤ 1.1
Labor efficiency index	≥ the value specified in the business plan

The approved target values of the annual KPIs for 2015 were achieved in full. The performance index for annual KPIs was 100%, for quarterly KPIs - 92%.

4.3 Social Responsibility

4.3.1. Social Policy

The Company pays particular attention to the social responsibility issues. The social responsibility is being implemented through development of a social partnership system and in accordance with the Sectoral Tariff Agreement in the Power Industry of the Russian Federation for 2013-2015, which served as a basis for the Collective Labor Agreement of JSC IDGC of Center and Volga Region for 2014-2015 concluded on December 30, 2013. The Collective Labor Agreement comprises a unified list of additional benefits, guarantees and compensations provided to the Company employees above norms stipulated in the legislation. The Company's employment benefits include:

- voluntary health insurance and insurance against accidents and diseases;
- additional paid leave for family reasons;
- support of socially vulnerable families;
- financial assistance to employees going on vacation;
- financial assistance to employees on such occasions as marriage and birth (adoption) of children, and on children's birthdays (1-3 years);
- financial assistance in organization of funerals of employees and their close relatives;
- financial assistance to employees in preparation for anniversary celebrations;
- payment of benefits to employees retired on disability pensions;
- payment of benefits to children of employees who lost their lives on the job;
- providing conditions for recreation and health improvement of employees;
- providing employees' children with summer camp vouchers and New Year presents;
- non-governmental pension provision.

The Company performs in full the obligations stipulated in the legislation of the Russian Federation, the Sectoral Tariff Agreement in the Power Industry of the Russian Federation and the current Collective Labor Agreement.

An effective moral incentive for teams and individual employees is their recommendation for government awards, awards of the Ministry of Energy of the Russian Federation and for corporate awards of PJSC Russian Grids, executive and legislative authorities of entities of the Russian Federation, and awards of PJSC IDGC of Center and Volga Region and its branches.

In 2015, government awards were given to 5 people, 138 employees received awards of the Ministry of Energy of the Russian Federation (department awards), 1 employee was put on the Recognition Board of PJSC Russian Grids, and other corporate awards of PJSC Russian Grids were given to 121 people. Over two thousand employees of the Company received awards of executive and legislative authorities of entities of the Russian Federation as well as awards of PJSC IDGC of Center and Volga Region and its branches.

Insurance Coverage Program

The Regulation on Insurance Coverage of PJSC IDGC of Center and Volga Region and the Company's Insurance Program stipulate coverage of all employees by voluntary health insurance (VHI) and insurance against accidents and diseases.

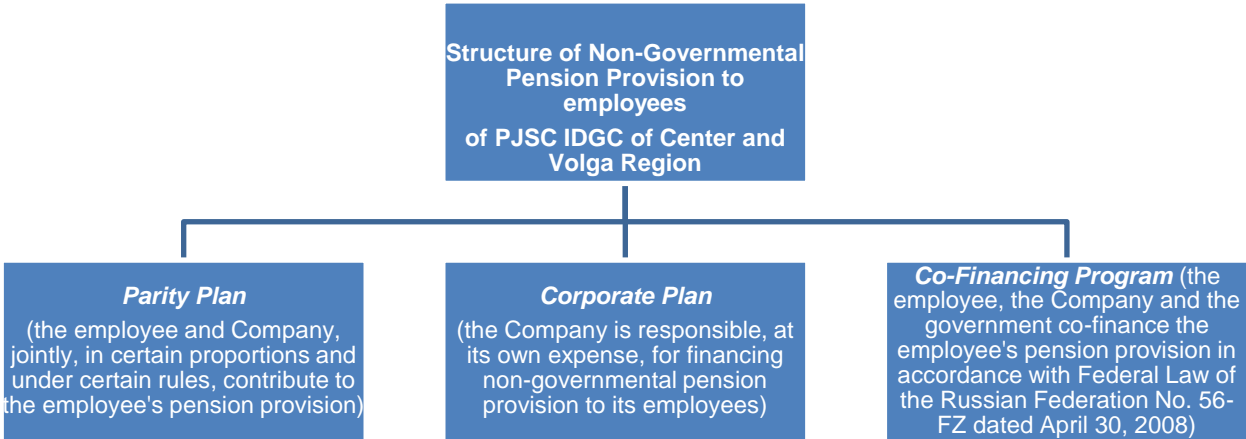
The VHI program involves ambulatory, hospital and dentist treatment at specialized regional healthcare centers. VHI enables an employee to select any medical institution participating in the program taking into account their health problems and location of the institution. It reduces the period of medical

examination and improves the quality of treatment which, in its turn, has a positive effect on the employees' performance.

Along with the basic medical services, the VHI program includes annual influenza and tick-borne encephalitis vaccination.

Non-Governmental Pension Provision

Being a socially oriented company, PJSC IDGC of Center and Volga Region has implemented its Program for Non-Governmental Pension Provision (NPP) for a long time. Therefore, one of the priorities of the Company is non-governmental pension provision. Under this program employees with pension qualifications may be eligible for payments from the Company in addition to state benefits.



In accordance with the NPP Program, the Company regularly makes pension contributions to JSC Non-Government Energy Industry Pension Fund. At the same time, the Company fully funds non-governmental pension payments to employees under the Corporate NPP Plan. The amount of such pension payments shall be determined in accordance with the effective Regulation on Non-Governmental Pension Provision to the Employees of PJSC IDGC of Center and Volga Region. The total number of the Company's employees and pensioners included in the non-governmental pension provision schemes under the Corporate Plan amounted to approximately 15 thousand as of the end of 2015. The average rate of monthly non-governmental occupational pension payable to retired employees in 2015 was 4.9% higher than that of 2014.

Within the framework of the NPP Parity Plan, the employees in collaboration with the Company form their additional non-governmental pension, the amount of which depends on the accumulated funds. The number of Parity Plan participants amounted to approximately 5,500 at the end of 2015.

PJSC IDGC of Center and Volga Region also has a Co-Financing Program, under which the employee, the Company and the government co-finance the employee's pension provision in accordance with Federal Law of the Russian Federation No. 56-FZ dated April 30, 2008.

In addition to ensuring high living standards of retired employees, the NPO Program is also aimed at creation of conditions for efficient resolution of personnel attraction, retention and motivation issues.

The incentive of non-governmental pension provision enhances the employees' trust in the employer, builds the corporate spirit and increases the Company's employer rating.

Housing Policy

The Housing Policy stipulating provision of housing allowance and partial compensation of home loan interest expenses to its employees was approved by PJSC IDGC of Center and Volga Region in 2015. The Policy is designated to attract and retain qualified specialists and young talent in the Company.

Charity

Implementing the social responsibility principles, PJSC IDGC of Center and Volga Region pays considerable attention to charity. In accordance with the Concept of Charity and Sponsorship, the Company's charity support was provided to faith-based organizations as well as used to help the implementation of social programs and creation of an educational web portal dedicated to contemporary history of Russia.

As part of the traditional Best New Year Tree campaign launched to celebrate the Power Engineers' Day, the Company's employees organized New Year celebrations and gave presents to children in orphanages and in needy and large families within the Company's regional footprint. The children received New Year presents, toys, arts & crafts sets, books, clothes, sports goods, furniture items and household appliances worth RUB 2 mln.

Organization of Recreation and Promotion of Health of Employees' Children

Traditionally, the Company has placed great emphasis on recreation and promotion of health of employees' children. In 2015, recreation camp vouchers were given to 725 children.

The cost of vouchers is partially compensated by the employer and local authorities.

Corporate Culture Development

The Company lays great emphasis on development of its corporate culture and maintenance of its traditions. The values and norms of the existing corporate culture are fixed in the Corporate Code of Ethics of PJSC IDGC of Center and Volga Region. It regulates relations between employees, sets out the rules of business etiquette, defines procedures for dealing with business partners, which helps to create the spirit of cooperation in the Company and maintain efficient interaction between the Company's units, and gives a guarantee of ethical business practice to our partners.

The Company pays special attention to commemorating historic events and preserving traditions of the Russian power industry, thus ensuring the continuous development of the Russian distribution grid complex. Today, the branches of the Company have their own museums devoted to the history of the power industry within the Company's regional footprint.

To facilitate informal communication between employees, the Company pays special attention to corporate events, such as the Power Engineers' Day, the Defender of the Fatherland Day, and the International Women's Day. The employees of the Company willingly arrange such events.

The Company arranged the Annual Contest of Children's Drawings for the children of the Company employees in 2015. The winning pictures were sent to the Children's Drawing Contest held by PJSC Russian Grids as part of a series of events dedicated to celebration of both the Company Day and the 70th anniversary of the Victory in the Great Patriotic War. The contest winners were awarded diplomas and prizes. Based on the contest results, the Company organized an exhibition of winning works.

Sports, Health and Fitness

PJSC IDGC of Center and Volga Region makes health and fitness promotion efforts and organizes mass participation sports events. For instance, it holds sports competitions between branches and registers employees for membership in swimming pools and sports centers for the purposes of encouraging a healthy lifestyle. The teams of branches adequately represent the Company in regional inter-industry competitions.

Occupational Skills Contests

The Company regularly holds occupational skills contests to evaluate the professional level of operating and technical staff. Such contests promote dissemination of best and innovative practices, high-quality performance and occupational safety during grid equipment maintenance, operational control and repairs.

In 2015,
44 occupational skills contests
were arranged by the Company with
approximately 1,500 participants

In 2015, 1,485 Company employees participated in such competitions. Altogether, the Company held 44 competitions, including the following:

- skills contests among crews involved in maintenance of 35-110 kV high-voltage power lines;
- skills contests among vehicle drivers;
- show contests devoted to fire safety;
- show contests devoted to occupational safety, etc.

In 2015, the Udmurtenergo team took the 5th prize in the interregional competition between teams for repair and maintenance of relay protection and automation devices arranged by PJSC Russian Grids as part of celebration of the 70th anniversary of the Victory in the Great Patriotic War.

Work with Veterans

In 2015, the Coordination Board of the Company's veterans continued its work. As of the end of the year the Board included 5,332 working and 4,010 retired power-industry stagers, as well as 383 veterans of the Great Patriotic War, homefront workers, prisoners of concentration camps and residents of besieged Leningrad. Each of the stagers had worked in the power industry for more than 20 years.

The main events organized and held by the Coordination Board of the Company's veterans and Boards of veterans of Company branches in 2015 were as follows:

- participation in preparation and celebration of the 70th anniversary of the Victory in the Great Patriotic War;
- meetings with veterans and maintenance of GPW heroes grave sites aimed at promotion of patriotism among the youth;
- fitting of branch museums with war and labor exhibits was continued;
- non-governmental pension provision covered 4,116 power industry stagers, and financial assistance was rendered to 416 participants in the Great Patriotic War;
- Meetings with GPW veterans involving delivery of special medals commemorating the 70th anniversary of the Victory in the Great Patriotic War were arranged in cooperation with the labor union;

- two GPW veterans – Boris Kukin (from the Udmurtenergo Branch) and Semen Kostin (from the Kalugaenergo Branch) took part in commemorative and festive events in Moscow from May 7 through May 10, 2015;
- Power engineers of PJSC IDGC of Center and Volga Region created a unique project dedicated to the 70th anniversary of the Great Victory – an electronic almanac consisting of archive documents, photos and memoirs of veterans of World War II and power engineering, who worked for power systems of the nine regions which today form the catchment area of PJSC IDGC of Center and Volga Region. The book titled "Keep in Perpetuity" is available on the corporate website;;
- representatives of the Veterans Boards along with heads of branches arranged meetings with veterans as part of celebration of the International Day of Older Persons and the Power Engineer's Day;
- The "Living History" power industry museum was created on the website: http://www.mrsk-cp.ru/press/special_projects/zhivaya-istoriya/ to commemorate the 95th anniversary of approval of the GOELRO plan.



Youth Outreach

Attracting and retaining young specialists is a priority of the HR and social policy of PJSC IDGC of Center and Volga Region. With a view to building efficient interaction with young workers, the Company established a Board of Young Specialists in 2010, comprising young active and promising employees ready for professional growth in the Company and willing to participate in the Company's social life.

The main goals of the Board of Young Specialists are as follows: acceleration of professional and social adaptation of young employees, assistance in professional growth, development of creative and research initiatives of the youth, and promotion of active participation in production and cultural life of the Company and its units.

Among the events that were held in 2015 with active participation of the Board of Young Specialists were: the "Energy of Life" donor initiative, the "Light of the Great Victory" patriotic activity, participation in the Forsage international forum of power engineers and industrialists, recreational sports activities, and assistance to orphanages.

4.3.2 Labor Protection

Labor Protection, Injuries and Occupational Diseases. HR Management

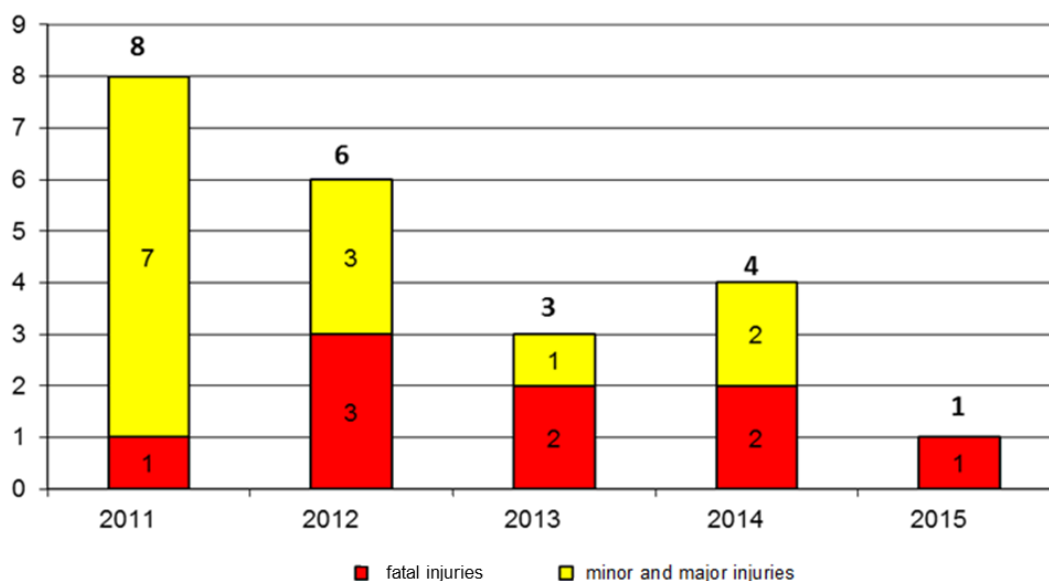
The main achievement of the last year was reduction in occupational accidents by 75%, including a decrease in fatal occupational accidents by 50%, improvement of working conditions and sixfold reduction in work places with harmful labor conditions!

One of the Company's important performance indicators is industrial and occupational safety statistics.

In 2015, the following objectives were defined as priorities for ensuring occupational safety: reducing risks of industrial injuries and occupational diseases; unconditional compliance with the law requirements; enhancing occupational safety and social protection of employees; protecting their life and health at the workplace; ensuring safe condition of equipment; and preventing injuries to outsiders.

The labor protection activities performed in 2015 resulted in reduction in the number of industrial injuries at the Company's power facilities; absence of occupational diseases; decrease in the number of employees working in harmful or dangerous labor conditions; improved performance; increase in the level of social and legal protection of employees.

Number of occupational injuries



Positive results in 2015 were achieved through implementing the Comprehensive Program of PJSC IDGC of Center and Volga Region designed to reduce risks of injury to personnel and outsiders at the power grid facilities from 2014 through 2017.

This Program was developed on the basis of the results of external and internal audit inspections, comments and proposals submitted by occupational safety managers, and injury reports analysis. It is aimed at:

- providing personnel and equipping workplaces with up-to-date protection facilities and devices;
- accident prevention;
- implementing sanitary and engineering measures to prevent illnesses;

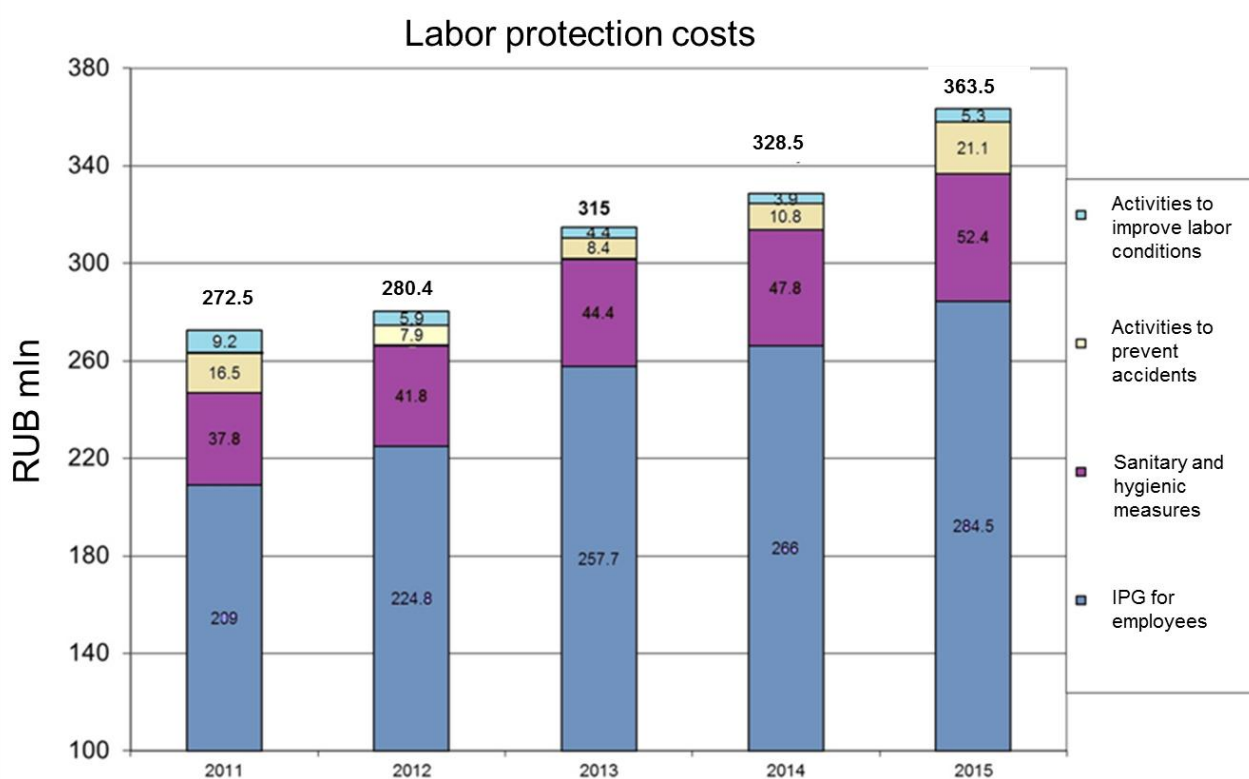
- implementing measures to improve the working environment.

Along with enhancing control over compliance with the occupational safety rules, improving quality of teamwork spot checks and enhancing disciplinary actions against violators, the Company contemplates material incentives to employees for working without violations of the occupational safety rules.

The Company also developed and approved local regulatory documents containing the requirements for human resources management and the requirements for selection and use of individual protective gear by employees.

In 2015, PJSC IDGC of Center and Volga Region allocated RUB 363.5 million for implementing health and labor protection measures, which included integration into the grid complex of fundamentally new materials and solutions meant to ensure the safety of energy specialists in their daily production activities.

Moreover, the Company allocated more than RUB 1,103 million for ensuring safe condition of equipment. RUB 365 million from these funds was allocated for replacement of obsolete (outdated) equipment by more modern and safer one.

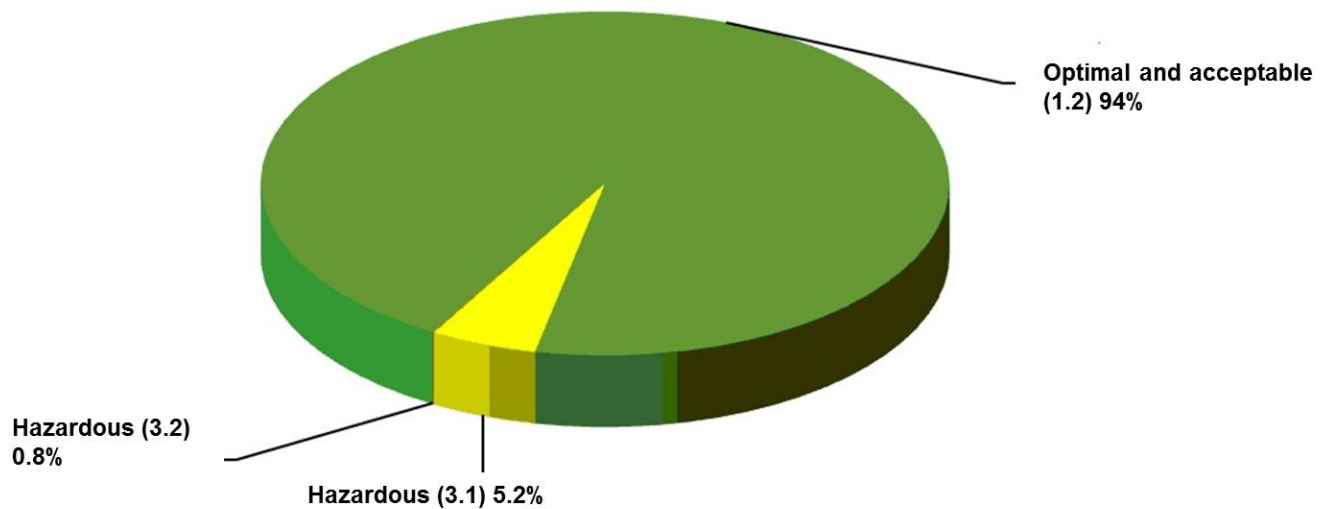


Special Evaluation of Labor Conditions.

Bringing Workplaces in Line with the Applicable Standards

The Company carries out special evaluation of labor conditions. PJSC IDGC of Center and Volga Region has a total of 17,572 workplaces subject to special evaluation. All those 17,572 workplaces were assessed. The special evaluation detected 889 workplaces of the 3.1-3.2 working conditions categories. No workplaces of the 3.3., 3.4. and 4 categories of working conditions were detected. The Company planned to improve working conditions following these results. In 2015, it performed 100% of the target measures, their total number being 507.

Labor condition categories based on the results of special evaluation



As compared to 2014, the number of workplaces of the 3.1 and 3.2 categories decreased sixfold.

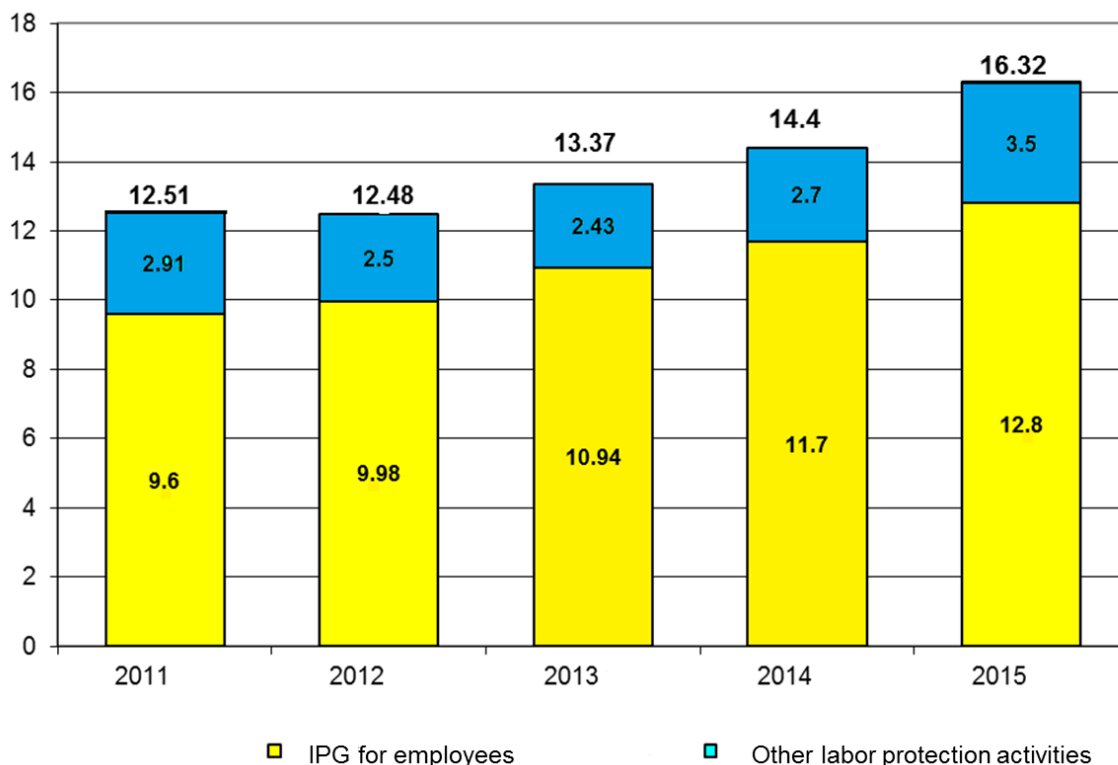
Outfitting Personnel with Safety Equipment, Tools and Fittings

The personnel is outfitted with tools, safety equipment, safety clothes and devices for the purposes of protecting employees from hazardous factors and ensuring good performance. Today, the Company provides its employees with all necessary safety equipment in accordance with the established standards.

The top priority in terms of providing personnel with individual protective gear in 2015 was purchase of fundamentally new equipment for fall protection, as well as special sets for protection from induced voltage while working at overhead electric lines and induced voltage indicators. Over RUB 25 million was spent for these purposes, which accounted for 6.8% of the total labor safety costs and 8.7% of the total costs of providing employees with individual protective gear.

Within the cost management program, a mechanism was introduced to increase the useful life of safety clothes. It optimized procurement and reduced costs of safety clothes and protective gear without violating standards of safety clothes provision. In 2015, specific costs of labor protection per employee reached RUB 16.32 thous., a 13.5% increase as compared to the 2014 level. Specific costs of employees' individual protective gear in 2015 amounted to RUB 12.8 thous., a 7.0% increase compared to 2014.

Specific costs of labor protection per employee from 2011 through 2015, RUB thous.



When selecting protective equipment, the Company takes into consideration both protective properties (for example, electric current protection) and usability. For instance, the use of induced voltage indicators makes it possible to determine the induced voltage value immediately before the start of works and accelerate and simplify workplace preparation.

That is why high priority is given to the most recent developments in safety equipment previously not applied or applied in limited scope.

Psychophysiological Examination of the Personnel

Special Laboratories for Psychophysiological Examination (hereinafter, LPE) have been created in the Company to maintain good health of the personnel and identify employees with difficulties in adaptation to their professional activities in a timely manner. The actual number of LPE staff as of December 31, 2015 is 14 people.

Psychophysiological examination (hereinafter, PE) is mandatory for personnel working in a harmful or hazardous environment and employees carrying out works with enhanced responsibility. If necessary, other employees as well as job applicants or newly hired employees may undergo PE.

In 2015, 9,307 people were checked by LPE specialists. PE results were used for individual psychological conversations; conclusions on the category of vocational psychological aptitude and respective recommendations related to HR decisions as well as proficiency training and functional rehabilitation of employees were made on the basis of PE results.

949 psychocorrective and 440 psychoprophylactic activities were carried out by LPE specialists. In order to prevent employees from making wrong decisions and 1,442 personal consultations were conducted on the basis of PE results. Such activities help maintain and develop regulatory features of a human body,

physical, psychological and emotional well-being of employees, as well as help them relax and prevent them from making mistakes in the course of professional activities.

Labor Protection Financed by the Social Insurance Fund

Labor protection preventive measures funded by contributions to the Social Insurance Fund (SIF) included purchasing safety clothes and shoes (worth RUB 7.8 million) and health resort treatment vouchers for employees working with hazardous and dangerous industrial factors (worth RUB 727.3 thous.).

Corporate Technical Control System

The Corporate Technical Control System (hereinafter, TCS) operates in the Company on the basis of the Regulation on the Corporate Technical Control System in the power grid complex within the operations area of PJSC IDGC of Center and Volga Region. Production control has a multilevel structure and is exercised by the following operating and maintenance personnel (continuous control): individuals appointed in branch units (production departments) to be responsible for the condition and safe operation of power plants, buildings and structures; business units heads and their deputies; specialists and production department managers (periodic control). The frequency of inspections is defined by the approved schedules for branches and production departments of the Company.

Organization and efficiency of control in each production department is monitored by the Service of Industrial Control and Labor Protection, as well as the management of production departments and their structural divisions.

The industrial control performance criteria include the following:

- minimizing defects and deficiencies detected by the government and superior industry bodies and cutting costs of their elimination;
- reduced technical violations, including personnel errors, and their economic damage;
- reduced number of injuries.

Health Protection and Enhanced Occupational Safety

All the Company's efforts are primarily aimed at protecting the life and health of our employees.

The Company has also been improving the working environment, cutting jobs with unfavorable working conditions and promoting a healthy lifestyle. The Comprehensive Program to Reduce Risks of Injuries to Employees and Outsiders at Electrical Grid Facilities for 2014-2017 stipulates close cooperation on labor protection issues between the Company and the regional authorities. This will allow the Company to implement high-priority projects under the governmental policy on labor protection and within the framework of social partnership of PJSC IDGC of Center and Volga Region.

Implementation of the Program Aimed at Preventing Injuries to the Population

The program aimed at preventing injuries to third parties includes technical, organizational and educational activities. All activities are designed to reduce electric injury risks and promote awareness of local communities of hazards related to electric current impact.

In 2015 the Company implemented a set of educational and organizational measures to promote awareness of local communities of electrical safety.

4,254 publications were placed in various media outlets including pieces in the print media, articles on the Internet and posts in social networks; video materials were aired on local TV channels 2,232 times

and audio materials were aired on local radio stations over 3,000 times. Video materials were displayed on LED screens at the regional centers within the Company's footprint, OKSION (Russian National Integrated Population Notification and Warning System, an EMERCOM resource) screens and public transport screens 9,280 times.

1,844 lectures were delivered by power engineers at schools and 379 educational activities were arranged at suburban recreation camps and recreation camps on school campuses. 175 guided tours to power facilities were organized for students including 36 tours for troubled teenagers.

Company experts organized 3 online competitions (crosswords) to check the knowledge of electric safety rules. About 2,000 students from 700 schools took part in the online competitions. The electric safety section on the corporate site was visited over 400,000 times.

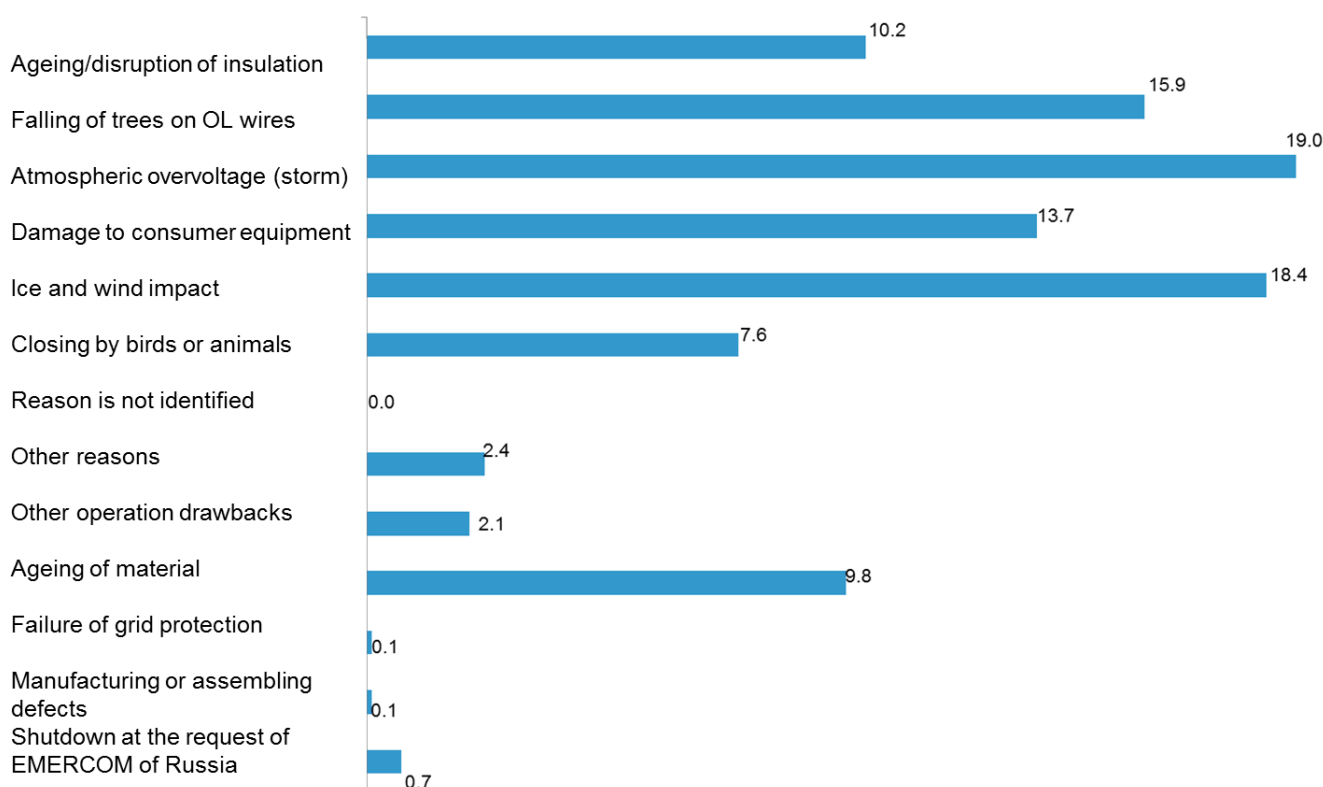
Over 90,000 units of printed products such as leaflets, posters and booklets for various target groups were distributed in the 9 regions within the Company's footprint.

In the course of implementation of the program IDGC of Center and Volga Region cooperated with representatives of EMERCOM and the Ministry of Home Affairs of Russia as well as regional Ministries of Education and Science to increase electrical safety awareness and reduce electrical accidents rates. The Company organized numerous meetings, conferences and round tables as well as meetings with teachers, driving instructors, parents, directors of transportation companies, representatives of fishing communities and horticultural societies, etc.

Technological disturbances related to operation of electrical equipment (comparison with previous years)

Year	2013	2014	2015
Number of disturbances, cases	20,664	18,759	17,424

Causes of disturbances (accidents) in 2015, %.



4.3.3. Environmental Protection

In 2015, PJSC IDGC of Center and Volga Region ensured that over 750 km of 6-10 kV overhead electric lines were safe for the fauna.

PJSC IDGC of Center and Volga Region considers environmental protection activities to be an integral part of its day-to-day work, being fully aware of the necessity to maintain ecological balance and ensure ecologically sustainable social and economic development of the Company.

The Company has implemented and has been successfully operating an environmental management system in compliance with ISO 14001 requirements. The primary objectives of the quality, professional health, occupational safety and environmental protection policies of PJSC IDGC of Center and Volga Region are as follows: rational use and preservation of natural resources, a decrease in negative environmental effects and reduction of the significance of environmental aspects. Environmental protection standards were developed and have been used for successful operation of the Company's environmental management system.

In 2015 the Company pursued its environmental protection policy under the Program for Environmental Safety and Rational Use of Natural Resources for 2015-2016. In general, in 2015, the Company fulfilled the Program both in terms of target activities and funding.

Main areas:

Atmospheric air protection. The Company regularly carried out analytic control of compliance with the pollutant emissions standards and instrumental control of the gas cleaning unit performance. *Gross pollutant emissions into the air amounted to 126.4 tonnes in 2015 (in comparison with 122.1 tonnes in 2014).*

Water resources protection. The Company carried out instrumental control of pollution content in rain and melt waters and waste waters discharged into the city sewage systems and monitored the quality of extracted water in terms of its compliance with the sanitary and hygiene standards. *The volume of water used (taken from third-party organizations and extracted from underground sources) in 2015 amounted to 220.2 thous. m³ (in 2014 – 307.5 thous. m³).*

Land protection and rational land use. In 2015, the Company paid great attention to developing the sites for waste collection; the Company concluded agreements on disposal and recycling of production and consumption waste with licensed organizations. *The volume of production and consumption waste generated in 2015 amounted to 7.9 thous. tonnes (in 2014 - 7.7 thous. tonnes).*

Use of advanced solutions and technologies.

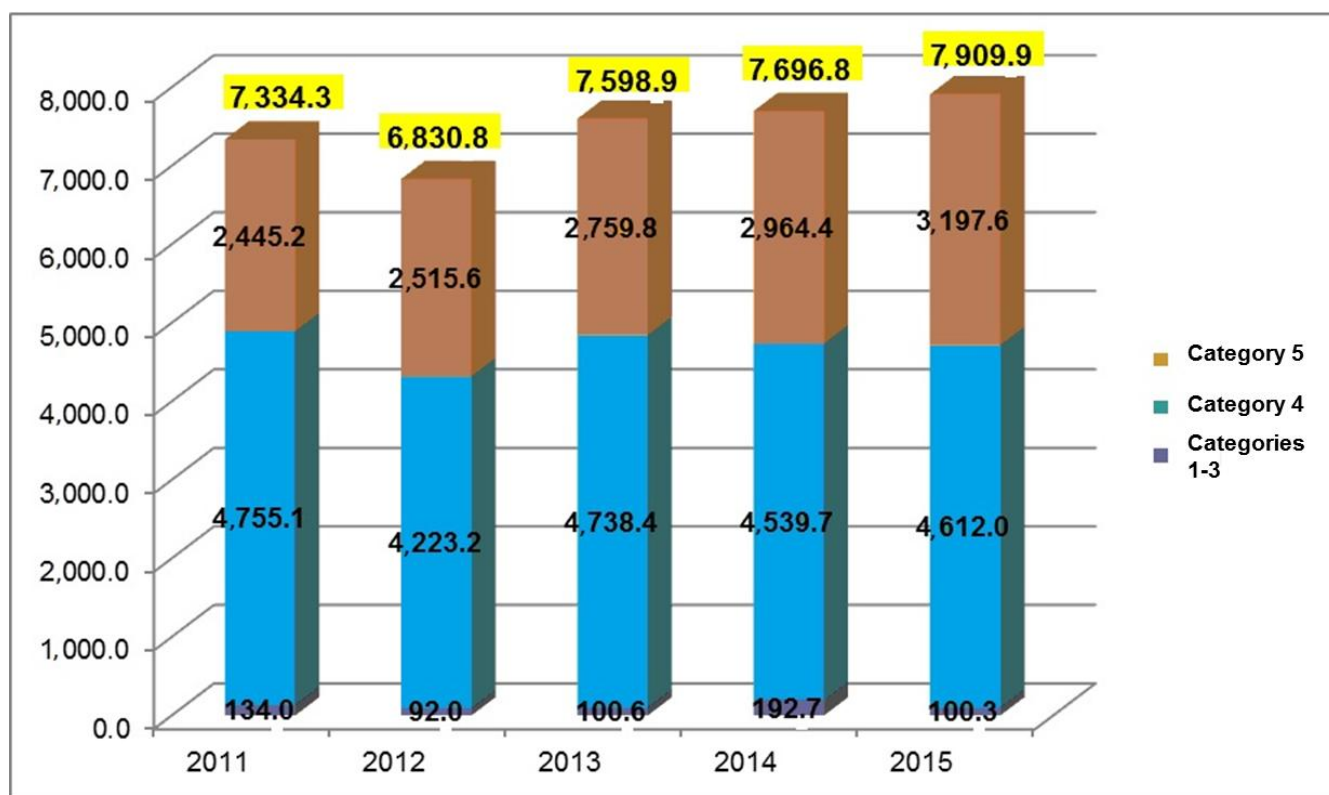
- *Replacing outdated oil circuit breakers by up-to-date vacuum breakers with higher performance capability, high reliability rates, flameproof and environmentally friendly. Thus, in 2015, 10 vacuum breakers for 35 kV and 462 vacuum breakers for 6-10 kV were installed.*
- *Use of self-supporting insulated wires (SIW) increases the reliability and prevents death of birds on overhead lines. In the reporting period, the length of 0.4 kV power transmission lines with the use of self-supporting insulated wires (SIW) increased by 1,370 km. The length of 6-10 kV lines increased by 610 km compared to 2014.*
- *Insulation of substation bus arrangement conductive parts increases reliability and safety of power supply and prevents death of animals and birds. In 2015, this technology was introduced at 22 substations.*

Under the Program for Energy Saving, the Company has been renovating internal building lighting grids, replacing standard fluorescent bulbs by power saving ones, which will eventually lead to reduction in Class 1 waste.

Application of environmentally promising technologies and solutions in 2014-2015.

	Unit	2014	2015	2015/2014 (absolute growth)	2015/2014 (relative growth), %
Vacuum breakers, 35 kV	pcs.	207	217	10	4,8
Vacuum breakers, 6-10 kV	pcs.	10,643	11,105	462	4.3
SIW on 0.4 kV OL	km	9,305.3	10,674.8	1,369.5	14.7
SIW on 6-10 kV OL	km	2,978.6	3,588.1	609.5	20.5

Production and consumption waste generation in 2011-2015, tonnes

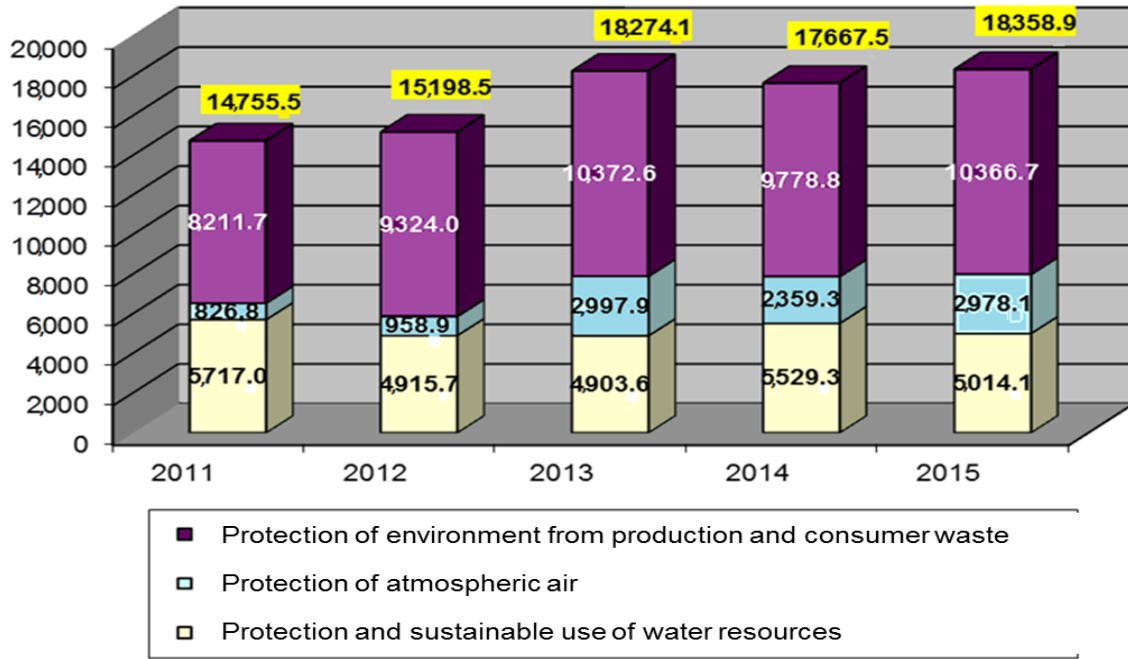


Waste of class IV (58.3%) and class V (40.4%) accounts for the major part of production and consumption waste generated by PJSC IDGC of Center and Volga Region in 2015. Class I-III waste accounts for 1.3% only.

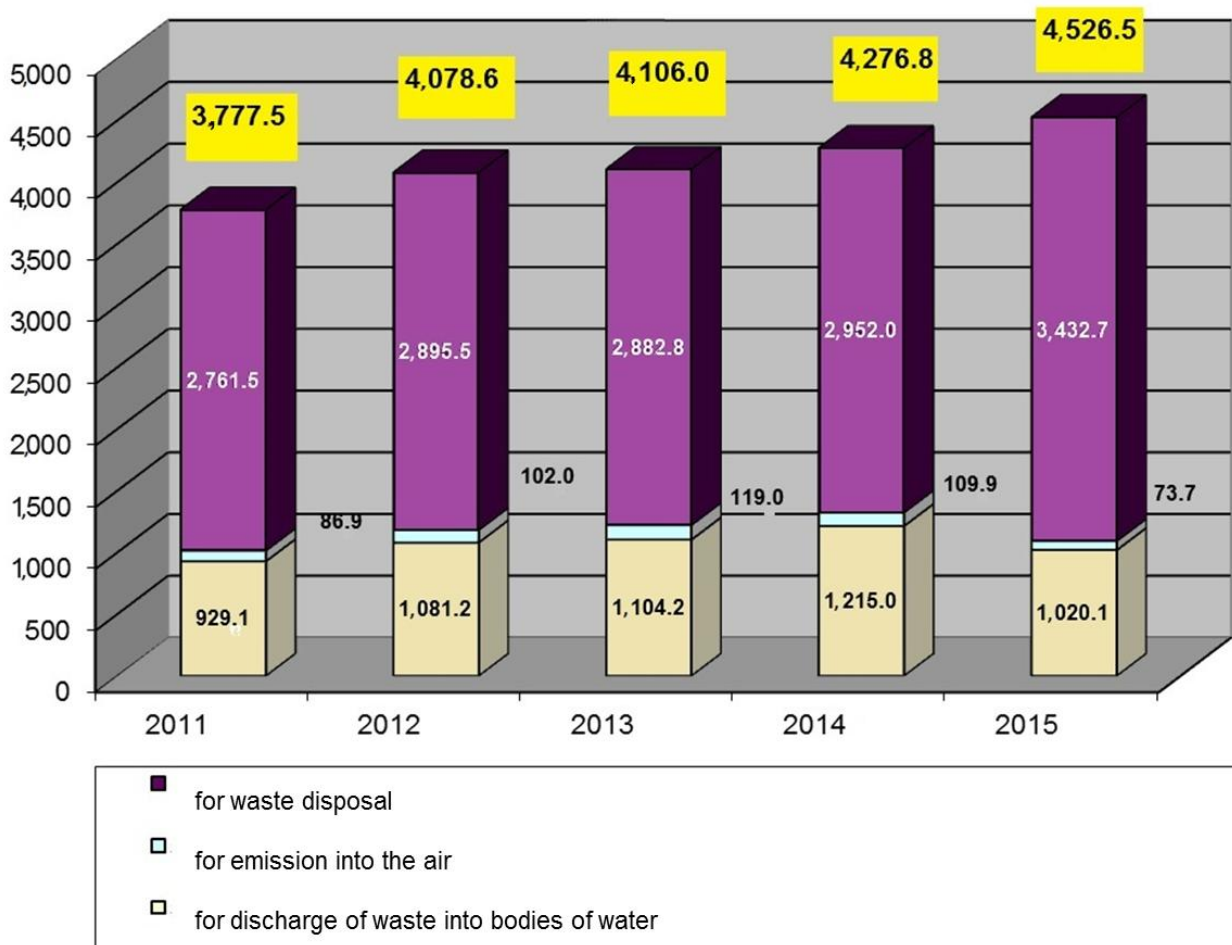
Waste temporarily stored at the departments' industrial sites has minimal environmental impact due to the following measures implemented by the Company:

- the Company appointed officers responsible for recycling production and consumption waste;
- the sites of Company's departments were equipped for temporary waste collection (sites and containers) in compliance with sanitary, hygienic and environmental requirements;
- the Company carries out regular production environmental control to prevent negative effects.

Environmental protection costs in 2011-2015, (RUB thous.)



Payments for negative environmental impact in 2011-2015, (RUB thous.)



Fauna Protection

Fauna protection from the consequences of production operations remains one of the key issues in implementation of the Program for Environmental Safety.

In 2015, the branches of PJSC IDGC of Center and Volga Region continued work aimed at fauna protection from the consequences of production operations within the framework of the Program for Environmental Safety for 2015-2016.

The Company has been continuously controlling the state of cable entries, intercell cable channels, observation windows of HV parts in cells of distribution equipment seal-off to exclude the possibility of animals getting in. The Company also installs deterrent devices against rodents.

The Company constructs barriers around the poles of OL 35-110 kV to eliminate the possibility of bird landing or nesting. Thus, 2.1 km of OL were equipped in 2015. The installation is carried out stage by stage at the time of repairs.

The Company has also been insulating conductive parts of substation bus arrangement. In 2015, this technology was implemented at 22 substations, increasing reliability and safety of power supply, reducing operating accident rate, and preventing death of animals and birds.

Advanced methods of bird protection from OL electric current include use of SIW and special bird protection devices at OL 6-10 kV. In 2015, PJSC IDGC of Center and Volga Region purchased 6,779 sets of bird protection devices worth RUB 1.45 mln to equip OL of Marienergo, Nizhnovenergo and Tulenergo; approximately 130 km of OL were equipped. Bird protection devices are primarily installed at OL in the territory of nature reserves. The total number of bird protection devices installed on OL 6-10 kV of PJSC IDGC of Center and Volga Region reached 27,085, allowing to equip about 600 km of overhead lines.

The Company pays particular attention to environmental protection and restoration of forests within its regional footprint. Within the framework of environmental initiatives, power engineers of the Company branches take an active part in measures aimed at restoration of natural balance, tree planting, landscaping of cities, and improvement of territories around production departments and distribution zones.

Qualifications of Personnel Responsible for Environmental Protection

Professional training, retraining and advanced training of specialists in environmental protection is performed regularly by conducting seminars, advanced training courses at educational institutions and other organizations holding the relevant license. In the reporting year, 148 specialists received training.

Environmental Audit Conduct

In 2015, the Company continued to carry out environmental audits of PJSC IDGC of Center and Volga Region branches to detect noncompliance with the requirements of environmental protection laws and ISO 14001 and define the basic measures to mitigate negative environmental effects.

Environmental audits carried out in the reporting year showed no material violations related to environmental protection, however there were certain discrepancies. Based on the audit results, the Company delivered recommendations and target measures to eliminate the detected defects.

The primary environmental objectives of PJSC IDGC of Center and Volga Region in 2016 are as follows:

- Developing the system of environmental management.
- Implementation of the Program for Environmental Safety and Rational Use of Natural Resources for 2016-2020.
- Technical measures on OL 6-10 kV (use of SIW and special bird protection devices) to prevent the death of animals and birds. Increase in the number of OL safe for birds by at least 750 km.

- Measures to launch up-to-date equipment which reduces the risk of negative environmental effects. Reduction in oil used (in switching devices and high voltage bushings, gas-insulated and vacuum breakers) by at least 10 tonnes.

4.3.4. Taxation

PJSC IDGC of Center and Volga Region is a bona fide and responsible taxpayer, which complies with all provisions of tax legislation of the Russian Federation. PJSC IDGC of Center and Volga Region is a major budget revenue generating enterprise in nine regions within its regional footprint.

The amount of taxes and fees paid by the Company in 2015 in accordance with Russian laws was
more than RUB 9.6

Subject to Tax Legislation of the Russian Federation, the Company pays the following taxes:

- *Value added tax*
- *Profit tax;*
- *Property tax*
- *Land tax*
- *Other taxes*
- *Fees to non-budget funds of the Russian Federation.*

Tax contributions of the Company in 2011-2015, RUB million

Budget levels	2011	2012	2013	2014	2015	2015/2014 (absolute variation)	2015/2014 (relative variation)%
Federal budget	1,760.0	2,490.7	3,251.4	3,454.0	4,005.3	551.3	13.7
Consolidated budget of the Russian Federation	2,159.4	1,726.2	2,334.1	2,782.3	2,698.2	-84.1	-3.1
Non-budget funds of the Russian Federation	2,282.6	2,328.5	2,685.8	2,865.8	2,980.3	114.5	3.8
Total	6,202.0	6,545.3	8,271.3	9,102.1	9,683.8	581.7	6.0

The total amount of taxes and fees paid by the Company in 2015 was RUB 9,683.8 mln, which is 6.0% more than in 2014. The changes in the tax burden of the Company are conditioned by the increase in power transmission tariffs. To offset current tax liabilities, a decrease in contributions to the consolidated budget of the Russian Federation was reported in 2015.

4.4 Stakeholder Relations

4.4.1. Stakeholders

PJSC IDGC of Center and Volga Region operates on the basis of constant interaction with a wide range of stakeholders with whom the Company maintains an open and constructive dialogue. Channels of communication are chosen so as to provide maximum availability of information.

The Company's success is closely related to the image that it creates in the business environment. Positive representation of PJSC IDGC of Center and Volga Region

guarantees the trust of its partners. **The Code of Corporate Ethics approved by the Board of Directors of the Company on March 04, 2013 is a code of principles governing the Company's activity, of rules and norms of conduct of its employees and members of management and control bodies.** Compliance with the Code of Corporate Ethics promotes the establishment of a single corporate culture within the Company, as well as efficient interaction between all its units, and gives a guarantee of ethical business practice to our partners.

Major stakeholder groups have been defined to develop an effective interaction system. The stakeholders have been rated on the basis of interaction level (mutual influence) between the Company and the stakeholder in question determined by either overlap or collision of interests.

The first group includes shareholders and Company employees (internal stakeholders).

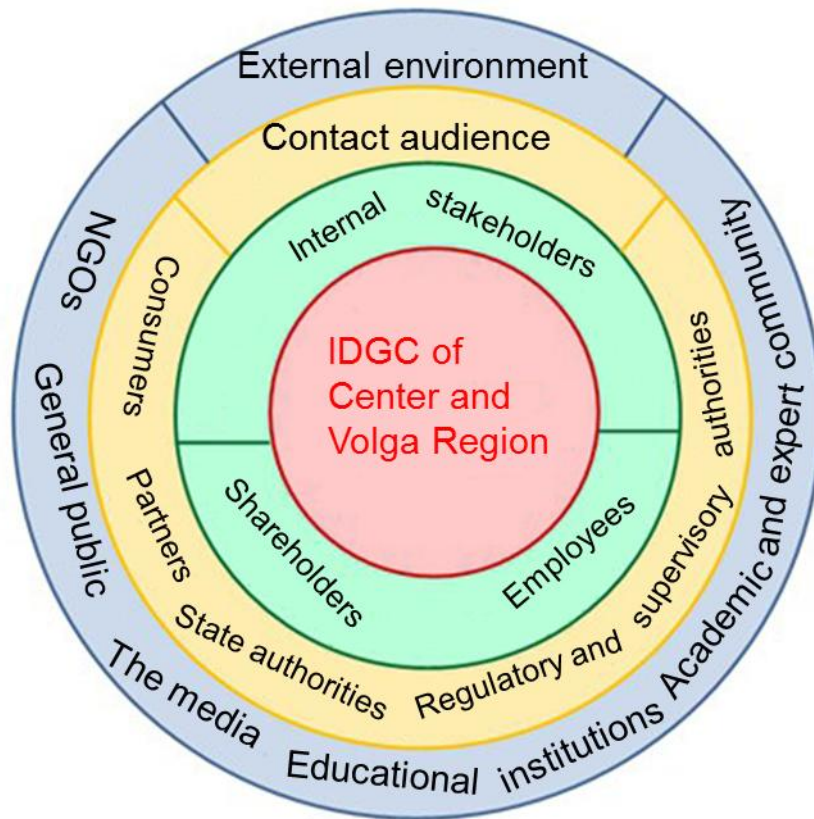
The second group comprises consumers and partners of the Company, the government, regulatory and supervision authorities (stakeholders with direct significant influence - contact audience).

The third group includes stakeholders with indirect or limited influence (external environment): non-governmental organizations, the population, the mass media, educational institutions, the academic and expert community.

Principles of the Company's interaction with stakeholders:

- respect for the stakeholders' opinion;
- timely informing and communicating on a regular basis;
- mutual fulfillment of obligations

Stakeholder groups



Map of stakeholder interaction with PJSC IDGC of Center and Volga Region

Stakeholders	Interests of stakeholders	Channels of interaction with stakeholders	2015 performance report The information is specified in the following sections of the Annual Report:
AUTHORITIES (federal, regional and municipal authorities of the RF)	<ul style="list-style-type: none"> • Reliable and sustainable functioning of the energy system • Efficient incorporation of the Company into the system of state regulation • Implementation of programs aimed at comprehensive development of the systems of social infrastructure • Implementation of long-term projects aimed at development of the power industry • Meeting the medium- and long-term demand for electricity and capacity • Attraction of additional investments to regions and creation of new jobs • Taxation 	<ul style="list-style-type: none"> • Setting prices (tariffs) for regulated types of activity • Alignment of investment programs and reports on their implementation • Work groups to elaborate schemes and the Program of long-term development of power energy • Agreements on interaction in development of the power industry in the regions • Reporting to authorities and disclosure of information and issuer's reporting in accordance with the current legislation • Work meetings and joint activities with representatives of the regional authorities • Taxation 	<ul style="list-style-type: none"> • Tariff Policy • Investment Activities • Stakeholder Relations - Mandatory Disclosure of Information • Social Responsibility - Taxation
CONSUMERS	<ul style="list-style-type: none"> • Reliable, uninterrupted and high-quality power supply • High quality of service • Transparency and accessibility of information on activities of the Company • Meeting the demand for the Company's services 	<ul style="list-style-type: none"> • Consumer Service Offices • Joint Information Center (JIC) • Single federal hotline • Polls and surveys • Corporate website (and Internet reception) • Federal and regional media • Press conferences, workshops and forums 	<ul style="list-style-type: none"> • Organization of Interaction with Service Consumers
SOCIETY (local community of the regions of presence, NGOs, the	<ul style="list-style-type: none"> • Reliable, uninterrupted and high-quality power supply • Job availability • Transparency of Company's activities • Social and economic development of the regions of presence • Environmental protection • Energy security 	<ul style="list-style-type: none"> • Social programs in the regions of presence • Federal and regional media (print, television and radio) • Press conferences, PR campaigns, workshops, forums and competitions • Meetings of top managers with veterans, students and other social groups • Corporate website 	<ul style="list-style-type: none"> • Stakeholder Relations

mass media)	<ul style="list-style-type: none"> • Implementation of social programs • Charity 	<ul style="list-style-type: none"> • Measures to prevent electrical injuries 	
SHAREHOLDERS AND INVESTORS	<ul style="list-style-type: none"> • Dynamic growth and development of the Company • Effectiveness • Increase in the Company's capitalization • Transparency of the Company's activities and management 	<ul style="list-style-type: none"> • General Shareholders Meeting • Annual and social reports, informational brochures and leaflets • Regular meetings, negotiations involving the management of the Company • Press conferences, presentations and forums • Federal and regional media • Corporate website • Surveys of shareholders and investors 	<ul style="list-style-type: none"> • Corporate Governance
PARTNERS (suppliers and contractors)	<ul style="list-style-type: none"> • Mutually beneficial and long-term collaboration • Transparency of the Company's activities • Gaining profit from collaboration • Timely and exact fulfillment of obligations under agreements • Fair competition 	<ul style="list-style-type: none"> • Procurement • Negotiations • Commercial offers • Corporate website • Federal and regional media • Workshops and conferences including meetings of the Technical Committee of the Company 	<ul style="list-style-type: none"> • Procurement Activities
PERSONNEL (Company's employees, trade union, Council of Veterans and Council of Young Specialists)	<ul style="list-style-type: none"> • Decent standard of living • High level of social protection • Opportunities for personal and professional growth • Occupational safety • Improving the status of the job of a power engineer 	<ul style="list-style-type: none"> • Collective Labor Agreement and internal documents within the framework of the Company's social responsibility • Councils of veterans and councils of young specialists • Trade unions • Corporate means of communication • Work with the talent pool • Personnel training • Cultural and sports activities 	<ul style="list-style-type: none"> • Human Resources Policy • Social Responsibility
EDUCATIONAL INSTITUTIONS	<ul style="list-style-type: none"> • Advancement of education • High potential staff training • Improvement of educational programs 	<ul style="list-style-type: none"> • Agreements with higher educational institutions • Research and training conferences • Joint organization of competitions of power grid-related thesis projects • Establishment of student brigades 	<ul style="list-style-type: none"> • Human Resources Policy • Social Responsibility

**ACADEMIC AND
EXPERT
COMMUNITIES**

- Advancement of science
- Integration of the latest scientific achievements into the power grid industry
- Application of effective innovative technologies

- Implementation of the innovative development program
- Cooperation with research organizations as part of R&D
- Participation in science conferences and exhibitions

- Social Responsibility

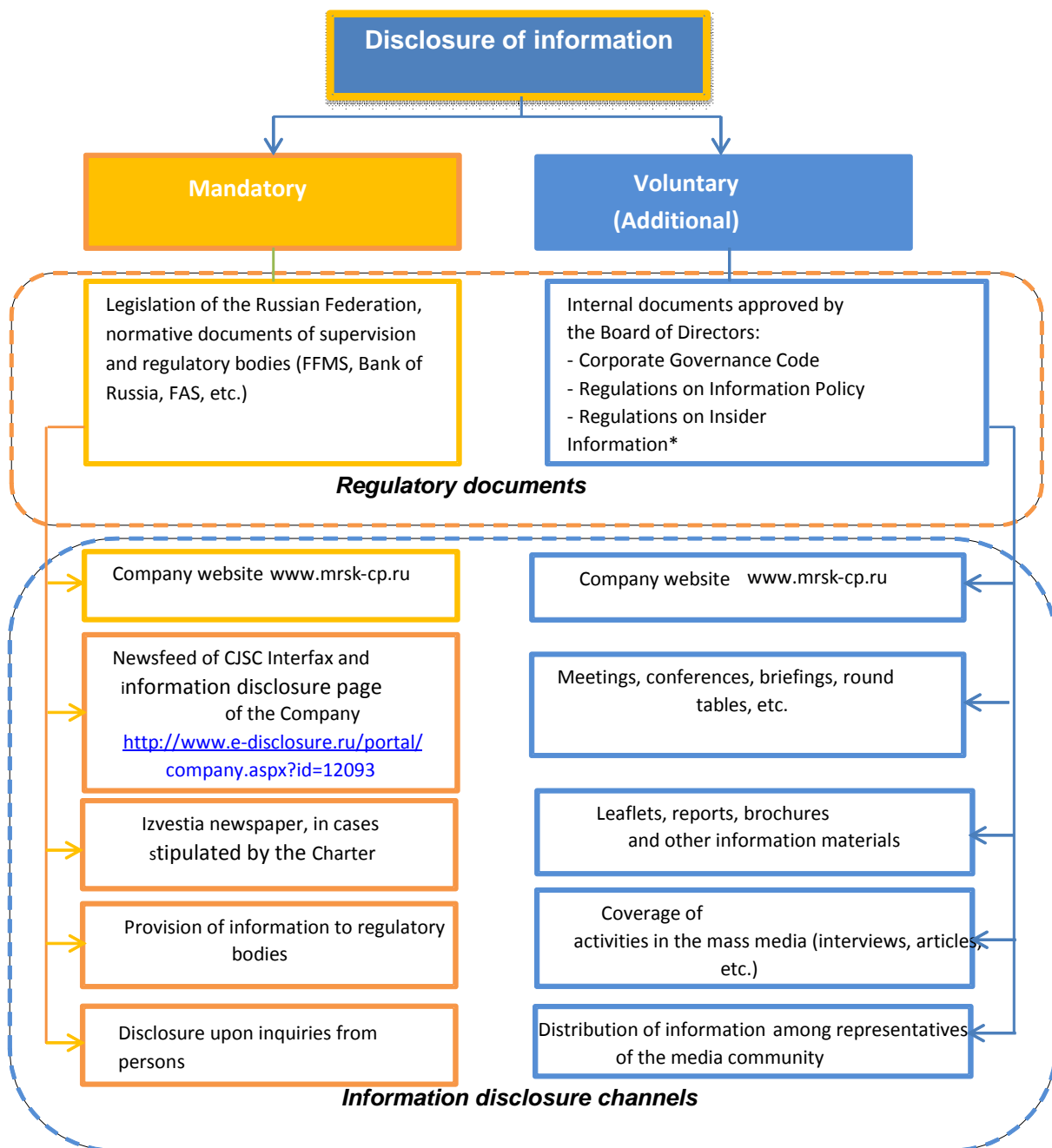
4.4.2 Mandatory Disclosure of Information

Disclosure of Information by the Issuer of Securities

PJSC IDGC of Center and Volga Region is a public company and strives for maximum informational transparency and openness, taking into consideration the best Russian and world practice in the field.

The Company's information disclosure policy is based on the following principles:

- regularity and promptness;
- availability of information;
- completeness, accuracy and objectivity of the information disclosed;
- reasonable balance between openness/transparency and protection of the Company's commercially sensitive information and other confidential information.



*The text of the documents is available on the website of the Company http://www.mrsk-cp.ru/en/stockholder_investor/disclosure_reporting_info/vnutrennie-dokumenty-obshchestva/

Disclosure of Information by an Electricity Market Participant

PJSC IDGC of Center and Volga Region, as a participant of the retail electricity market, discloses information on its activities in accordance with the information disclosure standards.

Article 22 of the Federal Law “On Electric Power Industry” obliges natural monopoly entities to publish information on their activities in the mass media according to the information disclosure standards as established by the Government of the Russian Federation.

The Regulation of the Government of the Russian Federation as of January 21, 2004 No. 24 established the information disclosure standards for participants in retail and wholesale electricity markets, which were used by the Company as a basis for development of the corporate standard No. STO 01-002-2015 "Internal PR,

External Relations and Interaction with the Mass Media" approved by the General Director of PJSC IDGC of Center and Volga Region on October 7, 2015

The Company is entitled to publish a short description of the information to be disclosed in the official print media along with the link to the full version of the materials: <http://www.mrsk-cp.ru/en/disclosure/>.

4.4.3. Interaction with Shareholders and Investors

Interaction with shareholders and investors is provided by a special IR unit within PJSC IDGC of Center and Volga Region – Division of Interaction with Shareholders and Investors of the Department for Corporate Governance and Interaction with Shareholders. Contacts of its experts are available on the website of the Company (www.mrsk-cp.ru) in the sections 'For Shareholders and Investors'/'Contacts' (http://www.mrsk-cp.ru/stockholder_investor/contacts/).

Cooperation with shareholders and investors is based upon the principles of timeliness, completeness and availability of the information. Shareholders, investors, analysts and other stakeholders may promptly receive up-to-date information and count upon relations based on mutual respect and protection of rights and legitimate interests.

In 2015, the Company held 14 events involving interaction with shareholders and investors, including the Annual General Shareholders Meeting, meetings of the Board of Directors and its committees, presentations, round tables and conferences.

The Company pays special attention to maintenance of constructive interaction with minority shareholders and foreign investors.

Investors from over 26 countries own shares in PJSC IDGC of Center and Volga Region. In order to improve its relations with them, the Company has been improving the quality of the English version of its website (<http://www.mrsk-cp.ru/en>).

Full information for shareholders and investors is available on the Company website (www.mrsk-cp.ru) in the section 'For Shareholders and Investors' (http://www.mrsk-cp.ru/stockholder_investor/capital/), in accordance with the Russian Federation legislation and internal documents of the Company.

The IR Calendar of the Company for 2016 is available on the website of the Company (www.mrsk-cp.ru) in the section 'For Shareholders and Investors'/'Calendar for Investors' (http://www.mrsk-cp.ru/stockholder_investor/investor_calendar/).

4.4.4. Public Relations, Interaction with Government Authorities, International Cooperation, Congress and Exhibition Activities

In order to comply with the provisions of the Unified Information Policy adopted by PJSC Russian Grids, promote comprehensive media support of Company activities and enhance its positive business reputation, PJSC IDGC of Center and Volga Region actively informs the public of the activities of the Company and its branches.

All available means of communication and information dissemination are used, e.g.:

- Press releases;
- Reports, comments and articles in the print media;
- TV shows and radio programs;
- Materials on the Internet, including major social networks, websites of regional and municipal authorities, public organizations, and EMERCOM;

- Press conferences, press tours, presentations, meetings, speeches at public events;
- Informational printed materials, commercial displays.

1,410 press releases were prepared in 2015 in total. **31,500 materials** were published in the federal and regional mass media and less than 0.15% of them were of a negative nature. **72 events** were arranged with participation of representatives of the federal, regional and local mass media that resulted in publication of over **1,910 materials**.

All information on Company activities including the information subject to mandatory disclosure is available on the official website of **PJSC IDGC of Center and Volga Region**: www.mrsk-cp.ru.

In 2015, the Company developed the Technological Connection portal, a new PJSC IDGC of Center and Volga Region information resource, in accordance with Unified Standards of Service Quality for Grid Operators.

The new information structure of the web system has the following characteristics:

- customer-oriented;
- modern and high-tech;
- provides access to the information for customers regardless of their location;
- ensures effective communication with those groups, organizations or individuals that are impacted by Company activities or on whom such activities are dependent.

With a view to competent planning of awareness-building efforts, development of efficient communications with various target groups, including state authorities, the Company developed and implemented **special PR programs** in production and social areas in 2015.

A publicity campaign aimed at increasing payment discipline of energy consumers was implemented in order to help the branches of PJSC IDGC of Center and Volga Region in their efforts to decrease receivables to be paid by legal entities and individuals, increase financial stability of the Company and prevent potential social strain in current economic conditions.

The awareness-raising campaign designed to inform target groups of the efforts made by the Company to decrease receivables and of the decisions taken by regional commissions against non-payments was implemented by the Company in the course of 2015. Communities in the regions of the Company's presence, as well as municipal and commercial organizations were informed of the unacceptability of accumulation of debts for power transmission services and potential economic, social and technological consequences of indebtedness to the Company and its branches. Any critical situations caused by non-payment which could have an adverse impact on the Company's image, were neutralized via the mass media. The Company cooperated with media relations departments of regional administrations to increase efficiency of the campaign aimed at improvement of the payment discipline and prevention of social strain. 104 press releases were prepared and over 1,880 materials were published in the mass media during the reporting period.

An awareness-raising and training program for preventing injuries to outsiders was implemented as part of the Comprehensive Program to Reduce Risks of Injuries to Employees and Outsiders at Electrical Grid Facilities from 2015 through 2017. During the year, the Company implemented a complex of informational, training and organizational activities in the field of raising public awareness of electrical safety. The activities were implemented in cooperation with representatives of regional and municipal agencies, education authorities and EMERCOM regional subdivisions.

A PR campaign to raise customer awareness was implemented in order to increase the quality of services rendered by PJSC IDGC of Center and Volga Region as a customer-oriented and open company operating in the interests of its customers within its regional footprint. In the course of 2015, consumers were

informed about the services provided by the Company, organization of grid connection procedures and the reliability of power supply, including in cases of technological failures and outages for planned repairs. Through the media and visual promotional materials, PJSC IDGC of Center and Volga Region specified a range of issues on which it is advisable to contact the Company and provided contacts of CSOs and 'hotline' numbers.

PR activities aimed at preparation for and operation during the autumn and winter period were carried out with a view to positioning PJSC IDGC of Center and Volga Region as a socially responsible company, which pays special attention to accident-free and reliable operation, especially during peak loads. Comprehensive information support accompanied preparation for and operation during the autumn and winter period, including media tours to electrical grid facilities, press conferences held following the results of operation during the said season and receipt of certificates confirming readiness for operation in 2015-2016. Regional headquarters meetings dedicated to safe power supply were covered in cooperation with media relations departments of regional administrations.

As part of a **PR campaign titled "Investment, Innovation, Energy Efficiency"**, comprehensive information support was provided regarding the Company's production activities in the following areas: modernization, reconstruction and construction of new power facilities; introduction of innovative equipment and technologies, R&D; implementation of measures to improve energy efficiency of the Company and preserve energy resources. Joint measures of the Company and the regional authorities to ensure continuous development of the power grid complex and social and economic development of the regions were also covered within the framework of the campaign.

A **PR campaign titled "Our Team"** was implemented with the purpose of fostering social communications. Information support was provided regarding the Company's HR and social policy, relations with industry veterans and the youth, and development of sports and corporate culture (including occupational skills contests). The following socially important projects were implemented:

- An awareness-raising project titled "The Power Engineering Profession" intended to increase the popularity of the power engineering profession and attract young specialists to the industry. The Company organized the "Energy of Creation" contest for regional and local journalists featuring a special award "The Person of Labor";
- activities dedicated to the 70th Anniversary of the Great Victory. Significant awareness-raising projects - the "Keep in Perpetuity" e-book about power engineers within the regional footprint of the Company and World War II veterans; the "Feat of My Kin" initiative;
- the "Living History" museum on the corporate website featuring various valuable exhibits from regional museums: historical documents, archives, books, photos, letters and memories of power engineers. One of the major objectives of the online exhibition is to make information on history of the power industry in Center and Volga Region generally available and improve the status of the industry, its employees and stagers.

The regional column of PJSC IDGC of Center and Volga Region was published in **10 issues** of the Russian Grids newspaper in 2015. A general corporate calendar for 2016 was developed. The Company focused considerable efforts on the creation of photo and video archives of the main production and social activities of its employees.

In 2015, PJSC IDGC of Center and Volga Region management and specialists took part in **18 exhibitions, conferences, international and industry forums** including: the All-Russian Start-up Tour 2015 held in Nizhny Novgorod; VI International Exhibition and Conference on Industrial Health and Safety (SAPE 2015); XVII International Research and Industrial Forum "Great Rivers" (Environmental, Hydrometeorological and Energy Safety); St. Petersburg International Economic Forum; Forsage-2015, an international forum of

young power engineers and industrialists; VI All-Russian Specialized Exhibition "Power Industry and Energy Efficiency"; the international power industry forum "Rugrids-Electro. Russian Grids. New Opportunities"; the Rugrids-Electro power industry exhibition; IV International Economic Forum on Energy Efficiency and Development of the Power Industry "ENES 2015".

PJSC IDGC of Center and Volga Region intends to maintain the strategy of informational transparency in the future making interaction of consumers with the Company more convenient and developing cutting-edge means of communication with all stakeholders.

4.5 Sustainability Reporting

PJSC IDGC of Center and Volga Region prepares and publishes social reporting using management recommendations on reporting with regard to Global Reporting Initiative Sustainability Reporting Guidelines (GRI), in compliance with AA1000 standards (a set of reporting standards with regard to sustainable development prepared by the Institute of Social and Ethical Accountability, UK).

The Social Report for 2009-2010 complies with GRI B+ Application Level and passed independent certification by CJSC Bureau Veritas Certification Russia with conclusion on compliance of the Report with GRI recommendations and the declared level of information disclosure and on correspondence to the principles of AA1000APS standard (2008).

The Social Report for 2011-2012 complies with GRI B Application Level. No independent certification was carried out.

The Company's Social Report for 2013-2014, prepared in accordance with Sustainability Reporting Guidelines, version 4.0 (Global Reporting Initiative-GRI, G4), was included in the list of the top ten social and sustainability reports compiled by the RAEX international rating agency in 2015. Thus, it confirmed that PJSC IDGC of Center and Volga Region is resolved to promote sustainability and social development.

The Reports shall give coverage of the corporate social responsibility of the Company, demonstrate development trends and show both the Company's responsible approach to its main activities, i.e. provision of regular power supply to consumers, and its great attention and responsibility to employees and partners of the Company, to the environment and cultural traditions within the Company's regional footprint. Social reporting is part of an integrated process of strategic development, implementation of target measures and evaluation of their results.

Social Reports of PJSC IDGC of Center and Volga Region are available on the Company website (www.mrsk-cp.ru) in the section 'For Shareholders and Investors'/'Disclosure of Information by the Issuers of Equity Securities'/'Social Reports' (http://www.mrsk-cp.ru/stockholder_investor/disclosure_reporting_info/sotsialnye_otchetny/). They are also included in the National Register of Non-Financial Reports of the Russian Union of Industrialists and Entrepreneurs (<http://pcnn.pф/simplepage/157>).

5. Corporate Governance

5.1. Governance System

5.1.1. Structure and Principles of Corporate Governance

Corporate governance is a concept describing a system of relationships between the executive bodies of a joint-stock company, its board of directors, shareholders and other stakeholders. Corporate governance is an instrument for determining the Company's goals and means to achieve them, as well as for ensuring efficient control over the Company's business on the part of the shareholders and other stakeholders.

The main objectives of corporate governance are the creation of an efficient system ensuring preservation and effective utilization of the funds provided by shareholders, and the reduction of the risks which may lead to a decrease in the Company's investment attractiveness and in the value of its shares.

Report on Compliance with Principles and Recommendations of the Code of Corporate Governance

The management of PJSC IDGC of Center and Volga Region continuously analyzes the best Russian and international practices of corporate governance, adhering to the policy of constant improvement of the corporate governance system, ensuring its compliance with the best international standards.

The Board of Directors of the Company approved a new version of the Code of Corporate Governance of PJSC IDGC of Center and Volga Region (Minutes dated March 4, 2013 No. 121), based on the legislation of the Russian Federation, the Company's Charter, and the Corporate Conduct Code recommended for application by Instructions of the Federal Financial Markets Service (FFMS) of the Russian Federation dated April 4, 2002 No. 421/r. The text of the Code of Corporate Governance can be found on the Company's website www.mrsk-cp.ru in the section 'For Shareholders and Investors / Disclosure of Information by Issuer' / 'Internal Documents' (http://www.mrsk-cp.ru/stockholder_investor/disclosure_reporting_info/vnutrennie-dokumenty-obshchestva-/?PAGEN_1=3).

PJSC IDGC of Center and Volga Region improves its corporate governance practices on a regular basis.

The Company aims to comply with the provisions of the Code of Corporate Governance recommended for application by the Letter of the Bank of Russia dated April 10, 2014 No. 06-52/2463 and the Listing Rules approved by the Board of Directors of CJSC "MICEX Stock Exchange" dated August 26, 2015 (Minutes No. 27).

The management of the Company regularly monitors the compliance of the Company's internal documents with the current legislation of the Russian Federation.

In order to address the new trends and challenges of external and internal environment, it is necessary to improve the Internal Control System (hereinafter, ICS), review the organizational principles of the System of Internal Audit (IA), Internal Control (IC) and Risk Management (RM), as well as targets and activities in the sphere of IA, IC and RM.

In 2016, the Board of Directors is to update and approve the new versions of the Internal Control Policy and the Risk Management Policy.

In addition, in 2016, the Company is planning to amend the Regulation on the Audit Committee of the Board of Directors and the Regulation on the Strategy and Development Committee of the Board of Directors.

Given the need to address issues related to the Company's development and reduce the impact of external and internal risks on its performance, it is planned to delegate the risk management functions to the Strategy and Development Committee of the Board of Directors.

The Board of Directors considered the Report on Compliance with the Corporate Governance Principles stipulated in the Code of Corporate Governance and set out in the Annual Report.

The Report on Compliance with the Corporate Governance Principles stipulated in the Code of Corporate Governance (produced in accordance with the Recommendations on Preparation of a Report on Compliance with the Corporate Governance Principles) was recommended for application by the Letter of the Bank of Russia dated February 17, 2016 No. IN-06-52/8 given in Supplement 6 to the Annual Report. The Report contains the key reasons, factors and (or) circumstances which prevented the Company from (fully) complying with the principles of corporate governance provided for by the Code of Corporate Governance. The Report also outlines the target (planned) measures and activities of the Company aimed at improving the model and practice of corporate governance.

On June 16, 2015, the General Shareholders Meeting of the Company approved a new version of the Charter. This version of the Charter was produced taking into account amendments to the effective legislation of the Russian Federation and changes in a number of provisions of the Code of Corporate Governance Principles recommended for application by the Letter of the Bank of Russia dated April 10, 2014 No. 06-52/2463. The new version also contains proposals aimed at enhancing the powers of the Board of Directors put forward by minority shareholders.

Pursuant to Article 3 of Federal Law No. 99-FZ, dated May 5, 2014, "On Amending Chapter 4 of Part 1 of the Russian Civil Code and on Declaring Several Russian Legislative Provisions to Be No Longer in Force", the new version of the Company's Charter stipulates the change of the Company's name to Public Joint Stock Company Interregional Distribution Grid Company of Center and Volga Region.

On July 9, 2015, an entry was made in the State Register of Legal Entities on state registration of changes to the constituent documents of PJSC IDGC of Center and Volga Region.

On July 16, 2015, the Annual General Shareholders Meeting approved the new versions of the following documents: the Regulation on the General Shareholders Meeting of the Company, the Regulation on the Board of Directors of the Company, the Regulation on the Management Board of the Company, the Regulation on the Audit Commission of the Company, the Regulation on Payment of Remuneration and Compensation to the Members of the Audit Commission, and the Regulation on Payment of Remuneration and Compensation to the Members of the Board of Directors of the Company.

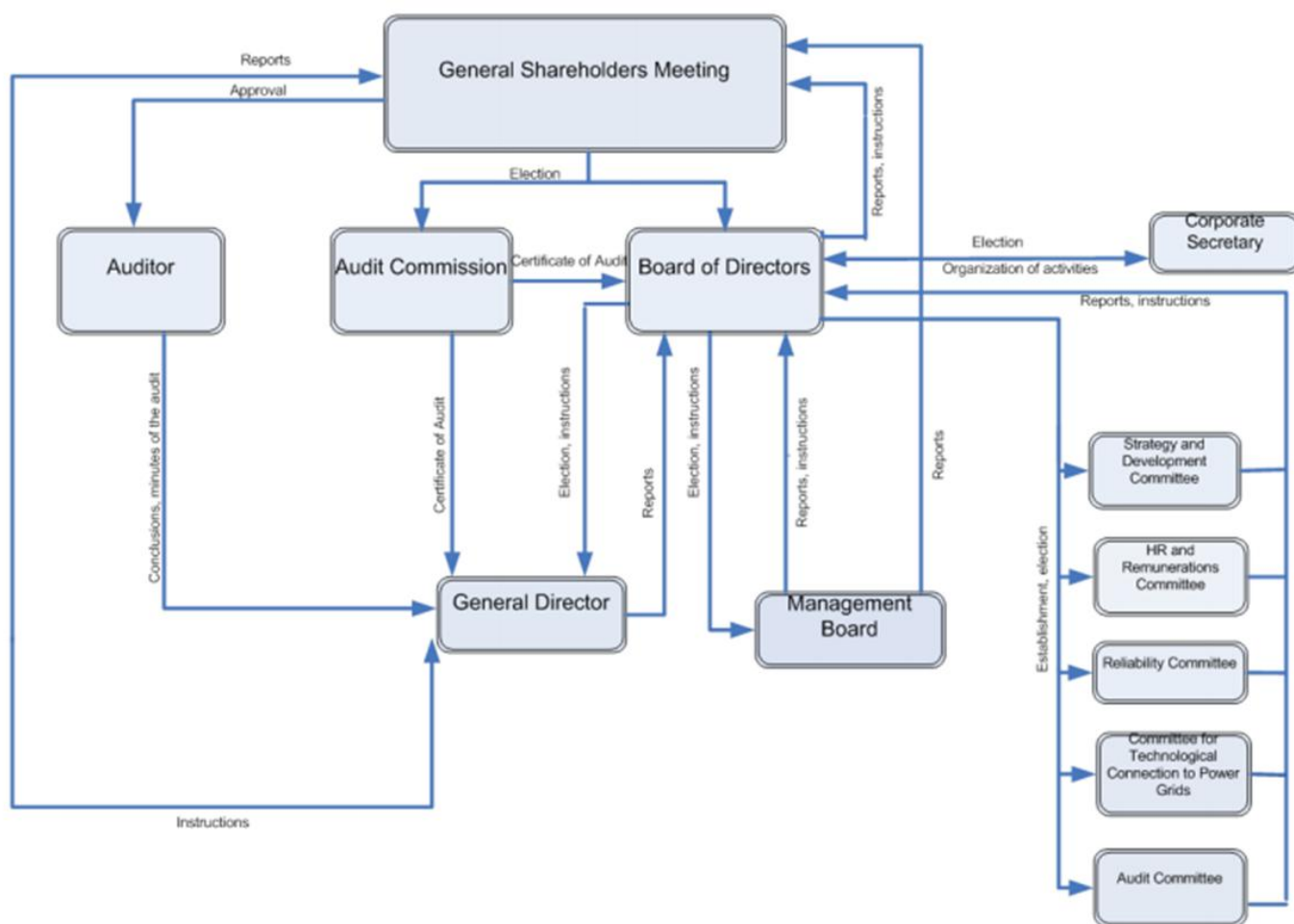
A number of regulatory documents are effective in the Company regulating the activity of the management and control bodies. The full text of these internal documents can be found on the Company's website www.mrsk-cp.ru in the section 'For Shareholders and Investors / Disclosure of Information by Issuer' /Internal Documents' (http://www.mrsk-cp.ru/stockholder_investor/disclosure_reporting_info/vnutrennie-dokumenty-obshchestva/).

Corporate Governance Rating

On March 12, 2014, the Expert RA rating agency rated the governance quality of JSC IDGC of Center and Volga Region at the level of '**8**' (**Advanced Corporate Governance Practice**).

The information on assignment of the rating and the report on the corporate governance practices in the Company are available on the website of the Company www.mrsk-cp.ru in the section 'For Shareholders and Investors / Information on Evaluation of Corporate Governance Practice' (<http://www.mrsk-cp.ru/?id=2930>). (http://www.mrsk-cp.ru/stockholder_investor/corporate_management_estimation/).

Structure of Governance and Control Bodies



5.1.2. Management Bodies

Under the Charter of PJSC IDGC of Center and Volga Region, the corporate system of management and control bodies includes:

- The General Shareholders Meeting is a supreme management body of the Company used by the shareholders to exercise their rights to participate in the management of the Company;
- The Board of Directors is a management body responsible for the Company's strategy development and the general management of the Company's operations. The Board of Directors also controls the activities of the executive bodies of the Company;
- The Management Board and the General Director are the executive bodies of the Company responsible for management of the Company's day-to-day operations. The area of responsibility of these executive bodies includes all issues pertaining to daily activities of the Company, except for the issues within the competence of the General Shareholders Meeting or the Board of Directors of the Company. The executive bodies are accountable to the Company's Board of Directors and the General Shareholders Meeting.
- The Audit Commission is a body responsible for the control of financial and economic activities of the Company and accountable directly to the General Shareholders Meeting.

The Company confirms that it has received the consent from all members of management and control bodies and the committees of the Board of Directors of the Company to the processing of their personal data according to Paragraph 4 of Article 9 of Federal Law No. 152-FZ "On Personal Data" dated July 27, 2006, in

order to disclose information in accordance with Federal Law No. 208-FZ “On Joint-Stock Companies” dated December 26, 1995 and Federal Law No. 39-FZ “On Securities Market” dated April 22, 1996.

General Shareholders Meeting

The General Shareholders Meeting is the supreme management body of the Company, with the authority to deal with the most significant issues pertaining to the Company’s operations, as specified in the current legislation of the Russian Federation and in Article 10 of the Charter of PJSC IDGC of Center and Volga Region. The full text of the Charter can be found on the Company's website www.mrsk-cp.ru in the section ‘For Shareholders and Investors / Disclosure of Information by Issuer’ /‘Charter’ (http://www.mrsk-cp.ru/stockholder_investor/disclosure_reporting_info/incorporation_certificate/).

The main issues within the competence of the General Shareholders Meeting of the Company are as follows:

- making modifications and amendments to the Charter or approval of the new version of the Charter;
- reorganization of the Company;
- liquidation of the Company, appointing the Liquidation Commission and approval of the interim and final liquidation balance;
- determination of the quantity, nominal value, category (type) of authorized shares and rights granted by these shares;
- increase in the charter capital of the Company by increasing the nominal value of the shares or by placing additional shares;
- decrease in the charter capital of the Company by decreasing the nominal value of the shares, or through the acquisition by the Company of a part of the shares to reduce the total number of outstanding shares, or by redeeming the shares acquired or bought back by the Company;
- splitting and consolidating the Company’s shares;
- making decisions on placement of convertible bonds or other convertible securities;
- determination of the quantitative composition of the Company’s Board of Directors, election of its members and early termination of their powers;
- election of the members of the Audit Commission of the Company and early termination of their powers;
- approval of the Auditor of the Company;
- making decisions on delegation of powers of the Sole Executive Body of the Company to a managing entity and early termination of its powers;
- approval of annual reports, annual accounting statements, including profit and loss statements (the accounts of profits and losses), as well as distribution of profit (including payment (declaration) of dividends, except for the profit distributed as dividends for the first quarter, six and nine months of the financial year) and the Company's losses in the financial year;
- payment (declaration) of dividends for the first quarter, six and nine months of the financial year;
- determining the procedure for conducting the General Shareholders Meeting;
- making decisions on the approval of transactions in cases specified by Federal Law “On Joint-Stock Companies”;
- making decisions on the participation in financial industrial groups, associations and other unions of commercial organizations;
- approval of internal documents regulating the operations of the Company's governing bodies;

- making decisions on the payment of remuneration and (or) compensation to the members of the Audit Commission;
- making decisions on the payment of remuneration and (or) compensation to the members of the Board of Directors;

making decisions on statements of delisting of Company shares and (or) convertible securities;

The Company approved the Regulation on the Procedure for Preparation and Holding of General Shareholders Meetings of PJSC IDGC of Center and Volga Region regulating in detail the procedures for conducting the General Shareholders Meetings.

In 2015, there was one General Shareholders Meeting.

On June 16, 2015, the Company held the Annual General Shareholders Meeting (Minutes No. 9) and adopted the following resolutions:

1.1. Approve the Annual Report of the Company and the annual accounting statements of the Company for 2014.

1.2. Approve proposed distribution of profit (losses) of the Company for the 2014 financial year.

1.3. Pay dividends on common shares of the Company based on the results of 2014.

1.4. Determine the date for preparation of the list of persons entitled to receive dividends.

2. Elect the Board of Directors of the Company.

3. Elect the Audit Commission of the Company.

4. Approve the Auditor of the Company.

5. Make modifications and amendments to the Charter by approving the new version of the Charter.

6. Approve the new version of the Regulation on the General Shareholders Meeting of the Company.

7. Approve the new version of the Regulation on the Board of Directors of the Company.

8. Approve the new version of the Regulation on the Management Board of the Company.

9. Approve the new version of the Regulation on the Audit Commission of the Company.

10. Approve the new version of the Regulation on Payment of Remuneration and Compensation to the Members of the Audit Commission.

11. Approve the new version of the Regulation on Payment of Remuneration and Compensation to the Members of the Board of Directors.

Materials and resolutions of General Shareholders Meetings are available on the Company's website www.mrsk-cp.ru in the section 'For Shareholders and Investors' / 'General Shareholders Meeting' (<http://www.mrsk-cp.ru/?id=261>).

The Board of Directors

The Board of Directors of PJSC IDGC of Center and Volga Region operates in accordance with the legislation of the Russian Federation, the Company's Charter, and the internal documents of the Company.

91%
- the average percentage of participation of the members of the Board of Directors in the meetings in 2015

In accordance with Federal Law No. 208-FZ "On Joint-Stock Companies" dated December 26, 1995 and Article 15 of the Company's Charter, the Board of Directors exercises the general management of the Company, except for the issues within the competence of the General Shareholders Meeting.

The main goals and objectives set before the Board of Directors of the Company are as follows:

- determination of the Company's development strategy aimed at improvement of its market capitalization and attractiveness for investors, maximum profitability and growth of the Company's assets;

- implementation and protection of the rights and legitimate interests of the shareholders of the Company, as well as assistance in resolution of corporate conflicts;
- ensuring full, reliable and objective disclosure of information about the Company for the shareholders and other stakeholders;
- establishment of effective mechanisms of internal control;
- regular assessment of the performance of executive and management bodies of the Company.

To implement the above mentioned goals and objectives, the Board of Directors abides by the following principles:

- making decisions on the basis of reliable information about the Company's activity;
- eliminating any restrictions on the rights of shareholders to participate in the Company's management, receive dividends and information about the Company;
- achieving a balance between interests of different groups of shareholders and making objective decisions in the interests of all shareholders of the Company.

The information on the activities of the Board of Directors and its composition is available on the website of the Company www.mrsk-cp.ru in the section 'About the Company' / 'Management Bodies' / 'Board of Directors' (<http://www.mrsk-cp.ru/?id=3095>).

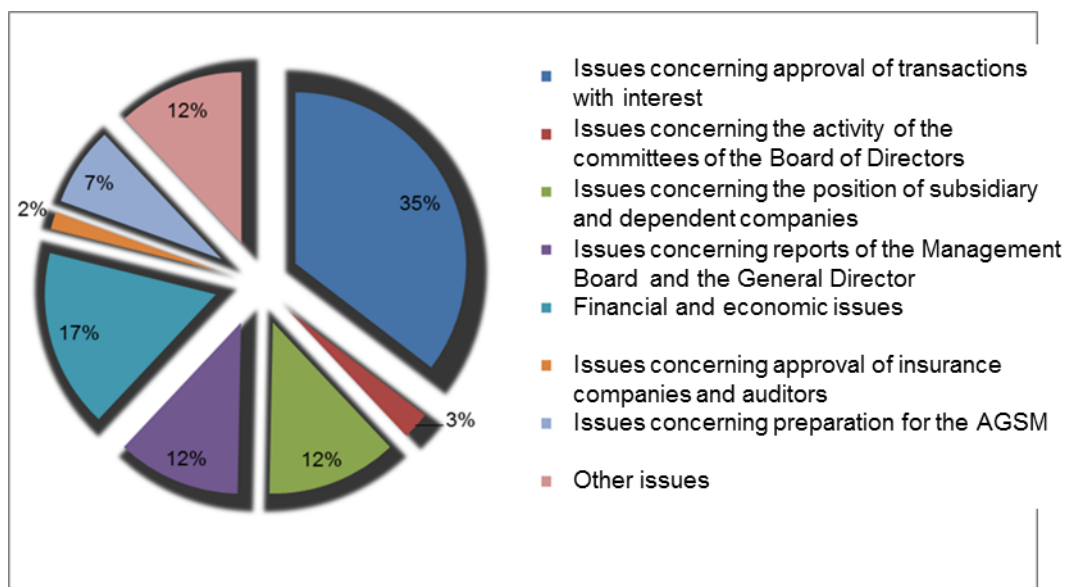
The procedural matters of the Board of Directors are governed by the Regulation on the Procedure for Summoning and Holding Meetings of the Board of Directors of PJSC IDGC of Center and Volga Region.

The resolutions of the meetings of the Board of Directors are passed by the majority of votes of the board members present at the meeting, except for the cases specified in the legislation of the Russian Federation and the Company's Charter.

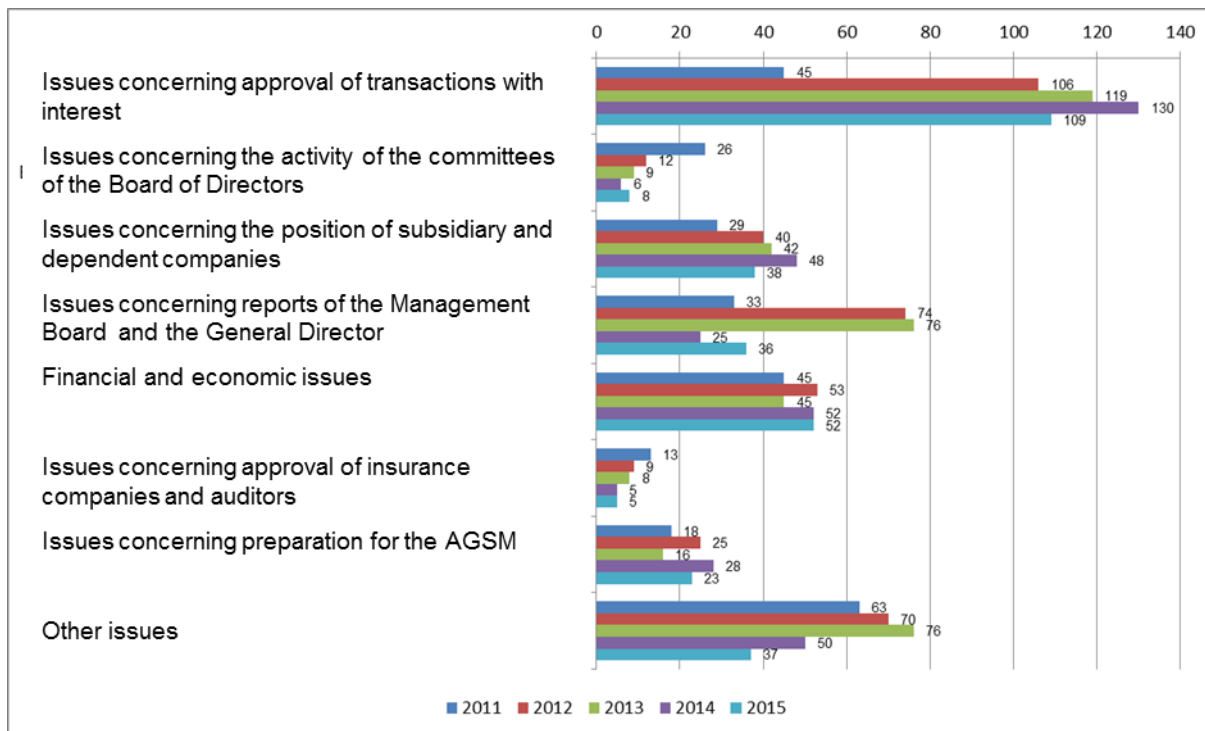
The quorum for holding a meeting is at least half of the number of the elected members of the Board of Directors of the Company.

34 meetings of the Board of Directors of PJSC IDGC of Center and Volga Region were held in 2015 (of which three were held in the form of copresence); over 300 issues were addressed at the meetings.

Key groups of issues considered by the Board of Directors in 2015



Comparative analysis of the key groups of issues considered by the Board of Directors of the Company in 2011-2015



Composition of the Board of Directors

11. According to Article 16 of the Company's Charter, the number of the members of the Board of Directors is

In 2015, there were two compositions of the Board of Directors of the Company.

Composition of the Board of Directors elected by the Annual General Shareholders Meeting on June 26, 2014 (Minutes No. 8) (positions are indicated as of the moment of election):

1. **Varlamov Nikolay Nikolaevich** (Chairman of the Board of Directors of the Company) – Deputy General Director for Audit and Control of JSC Russian Grids.
2. **Zholnerchik Svetlana Semyonovna** (Deputy Chairman of the Board of Directors of the Company) – Deputy General Director of JSC Russian Grids.
3. **Branis Aleksandr Markovich** – Director of Prosperity Capital Management (RF) Ltd.
4. **Ivanova Tatyana Aleksandrovna** – Head of the Administration of Tariff Formation Methodology of the Tariff Policy Department of JSC Russian Grids.
5. **Isaev Valeriy Ivanovich** – Head of the Administration of Finance of the Corporate Finance Department of JSC Russian Grids.
6. **Stepanova Mariya Dmitrievna** – Head of the Administration of Shareholder and Investor Relations of the Department for the Corporate Governance and Shareholder and Investor Relations of JSC Russian Grids.
7. **Ushakov Evgeny Viktorovich** – General Director of JSC IDGC of Center and Volga Region.
8. **Filkin Roman Alekseevich** – Co-Director, Power Industry and Engineering at the Representative Office of Prosperity Capital Management (RF) Ltd.
9. **Kharin Andrey Nikolaevich** – Deputy Director of the Department for Corporate Governance, Pricing Environment, Audit and Control in Fuel and Energy Industry of the Ministry of Energy of the Russian Federation (Minenergo of Russia).
10. **Chistyakov Vladimir Sergeevich** – First Deputy General Director of CJSC Energy Union Investment Holding.

- 11. Shevchuk Aleksandr Viktorovich** – Deputy Executive Director of the non-profit organization Investor Rights Protection Association

The acting Board of Directors of PJSC IDGC of Center and Volga Region was elected by the Annual General Shareholders Meeting on June 16, 2015 (Minutes No. 9) (positions are indicated as of the moment of election):

- 1. Fadeev Aleksandr Nikolaevich** – (Chairman of the Board of Directors of the Company) – Deputy General Director for Security of JSC Russian Grids.

First elected to the Board of Directors of PJSC IDGC of Center and Volga Region on June 16, 2015.

- 2. Varlamov Nikolay Nikolaevich** (Deputy Chairman of the Board of Directors of the Company) – First Deputy Director General - Chief of Staff of JSC Russian Grids.

Elected to the Board of Directors of PJSC IDGC of Center and Volga Region three times: on June 18, 2013, June 26, 2014 and June 16, 2015.

- 3. Branis Aleksandr Markovich** – Director of Prosperity Capital Management (RF) Ltd.

Elected to the Board of Directors of PJSC IDGC of Center and Volga Region eight times: on May 30, 2008, June 16, 2010, June 14, 2011, June 22, 2012, August 22, 2012, June 18, 2013, June 26, 2014 and June 16, 2015.

- 4. Grinkevich Yegor Borisovich** – Deputy Director of the Department of Electricity of the Ministry of Energy of the Russian Federation (Minenergo of Russia).

First elected to the Board of Directors of PJSC IDGC of Center and Volga Region on June 16, 2015.

- 5. Guriyanov Denis Lvovich** – Director of the Department for the Corporate Governance and Shareholder and Investor Relations of JSC Russian Grids.

First elected to the Board of Directors of PJSC IDGC of Center and Volga Region on June 16, 2015.

- 6. Kobelyan Ashot Mikhailovich** – Head of Consolidated Planning Management, Statutory regulation and Organization of Procurement Activities of the Procurement Department of JSC Russian Grids

First elected to the Board of Directors of PJSC IDGC of Center and Volga Region on June 16, 2015.

- 7. Petrov Sergey Aleksandrovich** – Head of the Organization of Operation of Electrical Equipment of the Department of Production Assets Management of JSC Russian Grids

First elected to the Board of Directors of PJSC IDGC of Center and Volga Region on June 16, 2015.

- 8. Ushakov Evgeny Viktorovich** – General Director of JSC IDGC of Center and Volga Region.

Elected to the Board of Directors of PJSC IDGC of Center and Volga Region eight times: on June 22, 2007, May 30, 2008, June 14, 2011, June 22, 2012, August 22, 2012, June 18, 2013, June 26, 2014 and June 16, 2015.

- 9. Filkin Roman Alekseevich** – Co-Director, Power Industry and Engineering at the Representative Office of Prosperity Capital Management (RF) Ltd.

Elected to the Board of Directors of PJSC IDGC of Center and Volga Region eight times: on June 19, 2009, June 16, 2010, June 14, 2011, June 22, 2012, August 22, 2012, June 18, 2013, June 26, 2014 and June 16, 2015.

- 10. Chistyakov Vladimir Sergeevich** – First Deputy General Director of CJSC Energy Union Investment Holding.

Elected to the Board of Directors of PJSC IDGC of Center and Volga Region eight times: on June 19, 2009, June 16, 2010, June 14, 2011, June 22, 2012, August 22, 2012, June 18, 2013, June 26, 2014 and June 16, 2015.

- 11. Shevchuk Aleksandr Viktorovich** – Executive Director of the Association of Institutional Investors

Elected to the Board of Directors of PJSC IDGC of Center and Volga Region two times: on June 26, 2014 and June 16, 2015.

Detailed information on the members of the Company's Board of Directors is shown in Supplement No. 7 to this Annual Report.

Participation of Members of the Board of Directors in Meetings of the Board of Directors and its Committees in 2015

Full name	Participation in Meetings					
	Board of Directors	Audit Committee	Strategy and Development Committee	HR and Remunerations Committee	Reliability Committee	Committee for Technological Connection to Power Grids
From January 1, 2015 through June 16, 2015						
Branis Aleksandr Markovich	15/14					
Varlamov Nikolay Nikolaevich	15/15	7/7		4/4		
Zholnerchik Svetlana Semyonovna	15/14			4/4		
Ivanova Tatyana Aleksandrovna	15/15	7/7		4/4		
Isaev Valeriy Ivanovich	15/2					
Stepanova Mariya Dmitrievna	15/15	7/7	12/12	4/4		
Ushakov Evgeny Viktorovich	15/15		12/12			
Filkin Roman Alekseevich	15/14	7/6	12/10	4/3		
Kharin Andrey Nikolaevich	15/10					
Chistyakov Vladimir Sergeevich	15/15	7/7		4/4		3/3
Shevchuk Aleksandr Viktorovich	15/15	7/7	12/12	4/4		
From June 17, 2015 though December 31, 2015						
Branis Aleksandr Markovich	19/19					
Varlamov Nikolay Nikolaevich	19/18	4/3		7/7		
Ushakov Evgeny Viktorovich	19/19		10/10			
Filkin Roman Alekseevich	19/19	4/4	10/10	7/7		
Chistyakov Vladimir Sergeevich	19/13	4/3		7/3		2/2
Shevchuk Aleksandr Viktorovich	19/19	4/4	10/10	7/7		
Grinkevich Yegor Borisovich	19/13					
Guriyanov Denis Lvovich	19/19	4/3	10/10	7/7		
Kobelyan Ashot Mikhailovich	19/18	4/4		7/7		
Petrov Sergey Aleksandrovich	19/19	4/4				
Fadeev Aleksandr Nikolaevich	19/19			7/7		

Note: The first figure is the total number of meetings (in the stated period); the second one is the number of meetings attended by the member of the Board of Directors of the Company.

The average participation of the members of the Board of Directors in the meetings is 91%. Over 20% of the meetings of the Board of Directors of the Company had 100% participation.

The minutes of meetings of the Board of Directors of PJSC IDGC of Center and Volga Region and its committees are available on the Company's website at http://www.mrsk-cp.ru/about/management/directors/decisions_of_directors/ and http://www.mrsk-cp.ru/about/management/directors/decisions_of_directors/ respectively.

Remuneration to the Members of the Board of Directors

According to Federal Law No. 208-FZ "On Joint-Stock Companies" dated December 26, 1995 and the Company's Charter, resolutions on the payment of remunerations and (or) compensations to the members of the Board of Directors are adopted by the General Shareholders Meeting.

The Annual General Shareholders Meeting approved the new version of the Regulation on Payment of Remuneration and Compensation to the Members of the Board of Directors of PJSC IDGC of Center and Volga Region (Minutes No. 9 dated June 16, 2015). The Regulation determines the criteria for remuneration to the members of the Board of Directors. The full text of the Regulation can be found on the Company's website www.mrsk-cp.ru in the section 'For Shareholders and Investors / Disclosure of Information by Issuer' / 'Internal Documents' (http://www.mrsk-cp.ru/stockholder_investor/disclosure_reporting_info/vnutrennie-dokumenty-obshchestva/).

Pursuant to the Regulation, in 2016, payment is to be made at the end of the corporate year.

In 2015, payment of remunerations and compensations was made in accordance with the Regulation on Payment of Remuneration and Compensation to the Members of the Board of Directors of JSC IDGC of Center and Volga Region approved by the Annual General Shareholders Meeting of JSC IDGC of Center and Volga Region on May 30, 2008 (Minutes No. 1). The text of the Regulation can be found on the Company's website www.mrsk-cp.ru in the section 'For Shareholders and Investors / Disclosure of Information by Issuer' / 'Internal Documents' (http://www.mrsk-cp.ru/stockholder_investor/disclosure_reporting_info/vnutrennie-dokumenty-obshchestva/).

The key criterion for the payment of remuneration to a member of the Board of Directors is the participation of the member in the meetings of the Board of Directors of the Company. The members of the Board of Directors also received additional remuneration for the net profit of the Company recorded in the annual accounting statements approved by the General Shareholders Meeting.

The expenses of a member of the Board of Directors related to visits to the Company's facilities, meetings with shareholders and investors, participation in the General Shareholders Meetings, and dealing with other issues pertaining to the functions of the member of the Board of Directors are subject to compensation.

In 2015, compensation of expenses pertaining to execution of functions of the member of the Board of Directors was RUB 38,163.

The internal documents of the Company specify no non-financial remuneration to the members of the Board of Directors of the Company.

The total remuneration paid to the members of the Board of Directors in 2015 was RUB 14,309,372.44 (before personal income tax), including:

RUB 9,059,988.00 – for participation in meetings of the Board of Directors;

RUB 4,356,998.44 – additional remuneration for the net profit of the Company recorded in the annual accounting statements approved by the General Shareholders Meeting (*to members of the Board of Directors acting from January 1, 2014 through December 31, 2014*);

RUB 0 - additional remuneration for increase in the market capitalization.

RUB 892,386.00 – other types of remuneration (for participation in the meetings of the committees of the Board of Directors before June 16, 2015).

In the reporting year, no salary, bonuses or commission fees were paid to the members of the Board of Directors who were not Company employees.

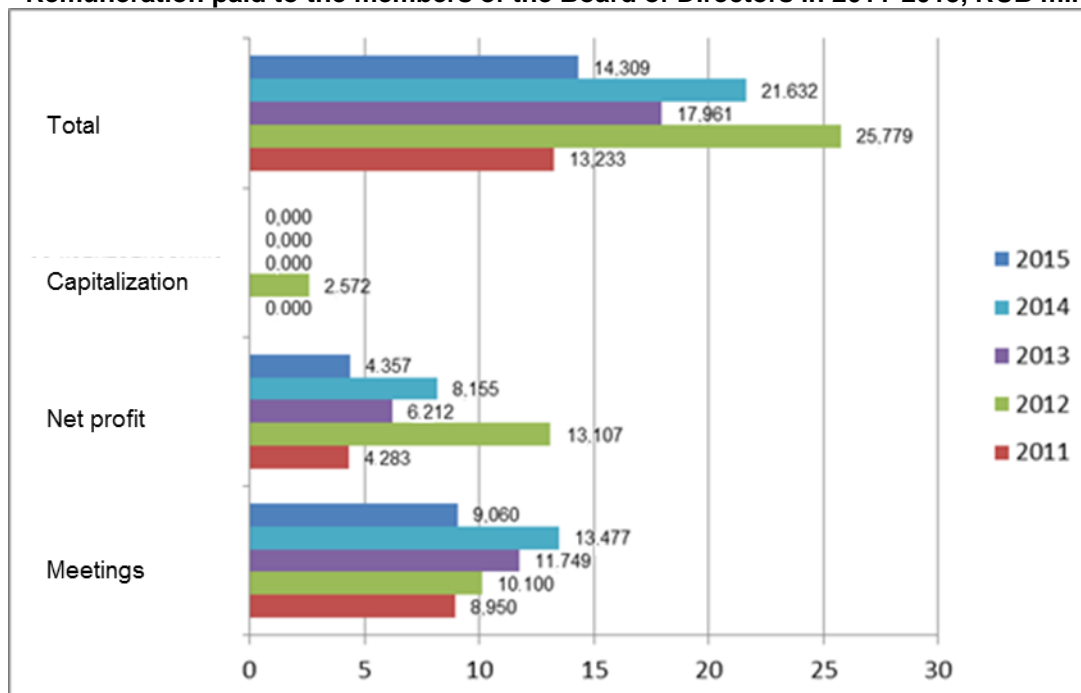
Remunerations to the Members of the Board of Directors in 2015

Full name	Remuneration for participation in meetings of the Board of Directors, RUB	Additional remuneration for net profit*, RUB	Other types of remuneration	Total, RUB
Branis Aleksandr Markovich	917,664.00	417,603.73	0.00	1,335,267.73
Varlamov Nikolay Nikolaevich	1,472,076.00	626,405.60	131,790.00	2,230,271.60
Zholnerchik Svetlana Semyonovna	930,408.00	194,881.74	40,860.00	1,166,149.74
Ivanova Tatyana Aleksandrovna	981,384.00	180,961.62	94,092.00	1,256,437.62
Isaev Valeriy Ivanovich	0.00	55,680.00	0.00	55,680.00
Stepanova Mariya Dmitrievna	981,384.00	194,881.74	188,556.00	1,364,821.74
Ushakov Evgeny Viktorovich	981,384.00	417,603.73	0.00	1,398,987.73
Filkin Roman Alekseevich	930,408.00	417,603.72	144,696.00	1,492,707.72
Kharin Andrey Nikolaevich	0.00	0.00	0.00	0.00
Chistyakov Vladimir Sergeevich	908,640.00	403,683.61	110,208.00	1,422,531.61
Shevchuk Aleksandr Viktorovich	956,640.00	167,041.49	182,184.00	1,305,865.49
Grinkevich Yegor Borisovich	0.00	0.00	0.00	0.00
Guriyanov Denis Lvovich	0.00	0.00	0.00	0.00
Kobelyan Ashot Mikhailovich	0.00	0.00	0.00	0.00
Petrov Sergey Aleksandrovich	0.00	0.00	0.00	0.00
Fadeev Aleksandr Nikolaevich	0.00	0.00	0.00	0.00
	9,059,988.00	3,076,346.99**	892,386.00	13,028,720.99**

* Details of remuneration to E.V. Ushakov, the General Director of the Company, including the salary, bonuses, commission fees and other types of remuneration (for participation in committees of the Board of Directors) as well as information about expenses covered by the Company are included in the total sum of remuneration and compensation to the Management Board.

** In addition, in 2015, the members of the Board of Directors of the Company of previous compositions received RUB 1,280,651.45 (before personal income tax).

Remuneration paid to the members of the Board of Directors in 2011-2015, RUB mln



Training of the Members of the Board of Directors

In 2015, the Board of Directors members did not receive training at the Company's expense.

Corporate Secretary of the Company

Pursuant to Article 20 of the Company's Charter, to guarantee proper preparation for and conduct of General Shareholders Meetings and to ensure the operation of the Board of Directors, the Board of Directors elected the Corporate Secretary of the Company.

The Regulation on the Corporate Secretary of JSC IDGC of Center and Volga Region was approved by the Board of Directors of the Company on February 18, 2008 (Minutes No. 8). The full text of the Regulation can be found on the Company's website www.mrsk-cp.ru in the section 'For Shareholders and Investors / Disclosure of Information by Issuer' / 'Internal Documents'

(http://www.mrsk-cp.ru/stockholder_investor/disclosure_reporting_info/vnutrennie-dokumenty-obshchestva/).

Ms. Guseva Yulia Stanislavovna was elected the Corporate Secretary of P JSC IDGC of Center and Volga Region by resolution of the Board of Directors of the Company (Minutes No. 191 dated July 26, 2015).

Guseva Yulia Stanislavovna is Head of the Corporate Relations Division of the Corporate Governance and Relations with Shareholders Department of PJSC IDGC of Center and Volga Region

Year of birth: 1975.

Education: higher professional, the Nizhny Novgorod Commercial Institute.

Retraining: National Research University Higher School of Economics, the Presidential Program on Training Managers for Enterprises of National Economy of the Russian Federation (Innovative Management program)

Below are all positions held by Ms. Guseva in the Company and other organizations for the last 5 years and presently, including part-time positions:

Period		Name of organization	Position
from	through		
2007	Present	PJSC IDGC of Center and Volga Region	Head of the Corporate Relations Division, Corporate Governance and Relations with Shareholders Department
2010	Present	PJSC IDGC of Center and Volga Region	Corporate Secretary (part-time)

The Company's ordinary shares owned by the person (share in the charter capital): None.

In 2015, the Corporate Secretary's remuneration was RUB 344,352 (before personal income tax).

Committees of the Board of Directors

	Audit Committee	Strategy and Development Committee	HR and Remunerations Committee	Reliability Committee	Committee for Technological Connection to Power Grids
Website containing data on the powers and composition of the Committee, as well as its resolutions	www.mrsk-cp.ru Section 'About the Company' / 'Management Bodies' / 'the Board of Directors' / 'Committees of the Board of Directors'				
	http://www.mrsk-cp.ru/about/management/directors/board_committee/s/audit/	http://www.mrsk-cp.ru/about/management/directors/board_committees/strategy_and_development/	http://www.mrsk-cp.ru/about/management/directors/board_committees/hr_and_remuneration/	http://www.mrsk-cp.ru/about/management/directors/board_committees/reliability/	http://www.mrsk-cp.ru/about/management/directors/board_committees/techno-connection_to_electric_networks/
Date of establishment of the Committee	July 31, 2008	July 31, 2008	July 31, 2008	October 12, 2007	February 19, 2009
Documents regulating the Committee's operations *	Regulation on the Audit Committee of the Board of Directors	Regulation on the Strategy and Development Committee of the Board of Directors	Regulation on the HR and Remunerations Committee of the Board of Directors	Regulation on the Reliability Committee of the Board of Directors	Regulation on the Committee for Technological Connection to Power Grids of the Board of Directors
Number of Committee members: - from January through July 2015 - from July through December 2015	6 7	12 16	7 7	7 7	5 5
Current composition of the Committee as approved by the Board of Directors of the Company on July 23, 2015 and November 18, 2015	1. Varlamov Nikolay Nikolaevich 2. Guriyanov Denis Lvovich 3. Kobelyan Ashot Mikhailovich 4. Petrov Sergey Aleksandrovich 5. Shevchuk Aleksandr Viktorovich 6. Filkin Roman Alekseevich 7. Chistyakov Vladimir Sergeevich	1. Pavlov Aleksey Igorevich 2. Sofyin Vladimir Vladimirovich 3. Bogacheva Irina Vladimirovna 4. Gurenkova Irina Sergeevna 5. Guriyanov Denis Lvovich 6. Lavrova Marina Aleksandrovna 7. Troinina Olga Nikolaevna 8. Tyukanko Aleksey Sergeevich 9. Ushakov Evgeny Viktorovich 10. Saveliev Maksim Ilyich 11. Zharikov Aleksey Nikolaevich 12. Klaptsov Aleksey Vitaliyevich 13. Filkin Roman Alekseevich 14. Shevchuk Aleksandr Viktorovich 15. Skulkin Vyacheslav Sergeevich 16. Bogashov Aleksandr Evgenievich	1. Varlamov Nikolay Nikolaevich 2. Guriyanov Denis Lvovich 3. Kobelyan Ashot Mikhailovich 4. Fadeev Aleksandr Nikolaevich 5. Shevchuk Aleksandr Viktorovich 6. Filkin Roman Alekseevich 7. Chistyakov Vladimir Sergeevich	1. Gvozdev Dmitry Borisovich 2. Suchkov Vladimir Petrovich 3. Andrus Sergey Timofeevich 4. Tikhomirova Olga Vladimirovna 5. Saveliev Maksim Ilyich 6. Polovnev Igor Georgievich 7. Korotenko Aleksandr Vasilievich	1. Chistyakov Vladimir Sergeevich 2. Andrus Sergey Timofeevich 3. Polovnev Igor Georgievich 4. Mikheev Dmitry Dmitrievich 5. Masaleva Irina Borisovna
Number of meetings in 2015 Total, including in presentia	11 2	22 1	11 1	14 0	5 0
Total remuneration paid to the Committee members in 2015 (RUB) before personal income tax **	382,554	1,119,452	229,788	421,740	128,580

* The full text of regulations on the committees can be found on the Company's website www.mrsk-cp.ru in the section 'For Shareholders and Investors / Disclosure of Information by Issuer' / 'Internal Documents' (http://www.mrsk-cp.ru/stockholder_investor/disclosure_reporting_info/vnutrennie-dokumenty-obshchestva/)

*** Remuneration to members of the Committee is paid for participation in meetings according to the Committee budget approved by the Board of Directors of the Company. Subject to the Board of Directors resolution, members of the Committee may be entitled to compensation of the expenses related to the performance of their duties. The amount of such compensations, the procedure for and terms of payment are stipulated by individual resolutions of the Board of Directors of the Company. The internal documents of the Company specify no non-financial remuneration to the members of the Board of Directors of the Company.*

Reports on the performance of the Board of Directors committees are provided in Supplement No. 7 to the Annual Report.

Detailed information on the members of the Board of Directors committees is provided in Supplement No. 7 to the Annual Report.

Management Board

The **Management Board** is the collegiate executive body intended to directly manage the Company, as guided by the resolutions of the General Shareholders Meeting and the Board of Directors, and acting in accordance with the law of the Russian Federation, the Company's Charter and other internal documents of the Company.

The key objectives of the Company's Management Board are as follows:

- ensuring the observance of the rights and legitimate interests of the Company's shareholders;
- providing suggestions on the Company's development strategy;
- implementing the Company's financial and economic policy, developing decisions on the major issues related to the Company's current economic operations and coordinating the operation of the Company's units;
- increasing the efficiency of the internal control and risk monitoring systems;
- ensuring high level of income from the Company's assets and the maximum profit from the Company's operations.

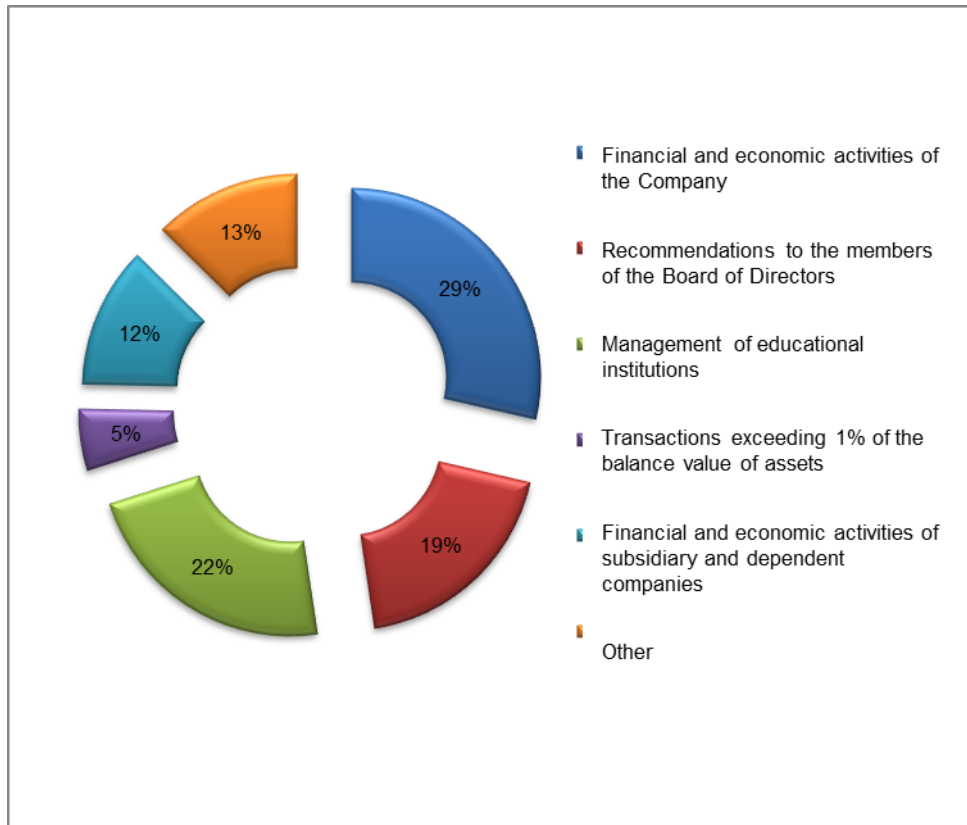
The activities of the Company's Management Board are governed by the Company's Charter, the Regulation on the Management Board, and the Code of Corporate Governance.

The information on the composition and authority of the Management Board is available on the Company's website www.mrsk-cp.ru in the section 'About the Company / Management Bodies / Management Board' (http://www.mrsk-cp.ru/about/management/board_of_directors/).

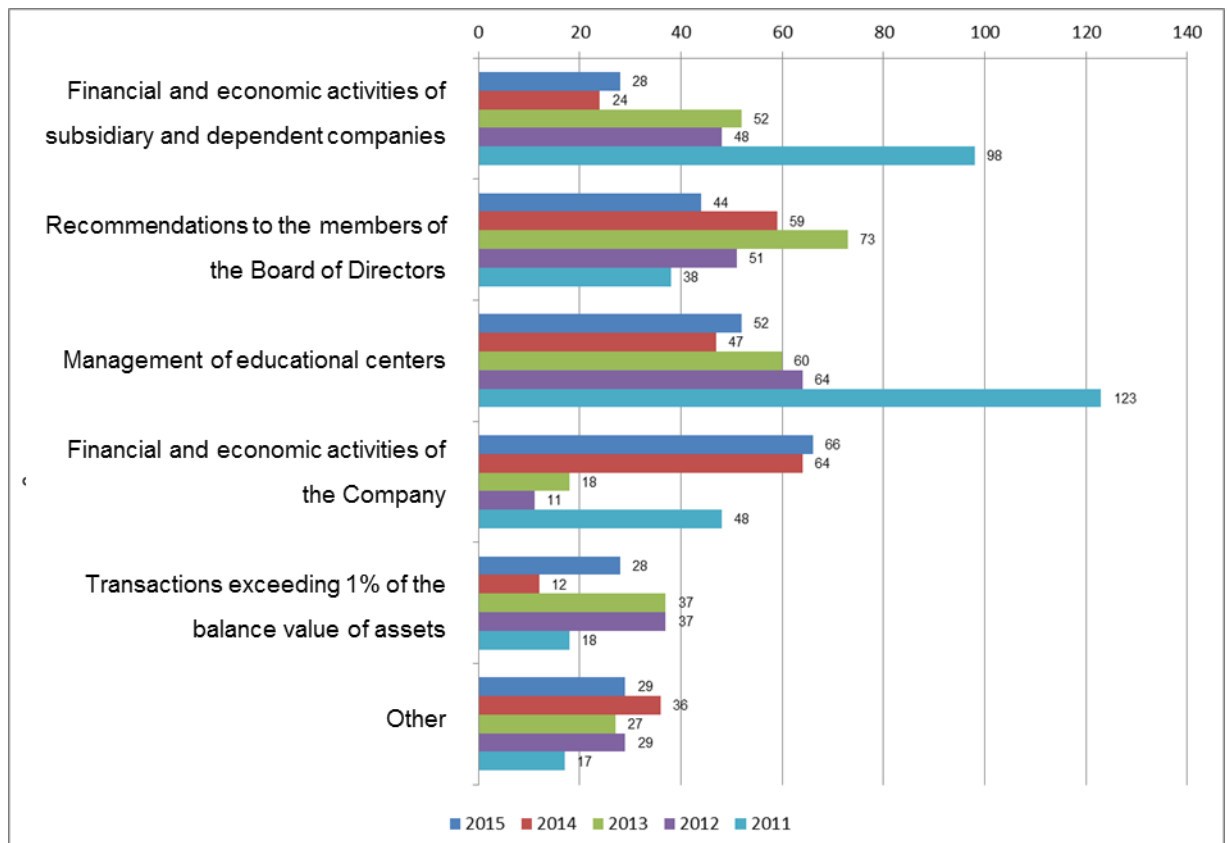
In 2015, there were 60 meetings of the Company's Management Board. 41 of them were held in the form of copresence, and 19 – in absentia (by poll).

The meetings **considered and made decisions on** 231 issues within the Management Board's authority.

Key groups of issues considered by the Management Board in 2015



Comparative analysis of the key groups of issues considered by the Management Board of the Company in 2011-2015



83%

is the average percentage of participation in the Management Board meetings in 2015

To ensure efficient operation of the Board of Directors and weighted and substantiated decisions made by it, the Management Board carried out preliminary consideration and submitted to the Board of Directors the recommendations on the main issues within the competence of the Board of Directors, as follows:

- Strategic and operational priorities of the Company;
- Approval of the target (adjusted) values for the Company's Key Performance Indicators (KPIs) and the reports on their achievement;
- Recommendations on the amount of dividend on shares and the dividend payment procedure;
- Approval of candidates for the position of independent appraisers;
- Decisions on the Company's participation in other organizations;
- Preliminary approval of transactions related to the transfer of the Company's property free of charge.

The recommendations developed by the Management Board were taken into account by the Company's Board of Directors when making decisions.

Management Board Composition

The acting Management Board was approved by the Board of Directors (Minutes No. 9 dated March 5, 2008). Changes were made in accordance with the decisions of the Board of Directors (Minutes No. 10 dated March 24, 2008; Minutes No. 17 dated June 25, 2008; Minutes No. 21 dated September 24, 2008; Minutes No.55 dated April 30, 2010).

In 2015 the acting Management Board included nine persons:

1. **Ushakov Evgeny Viktorovich** – Chairman of the Management Board, General Director of PJSC IDGC of Center and Volga Region.
2. **Andrus Sergey Timofeevich** – Deputy Chairman of the Management Board, First Deputy General Director - Leading Engineer of PJSC IDGC of Center and Volga Region.
3. **Vedernikov Andrey Yurievich** – Deputy General Director for Sales and Services Development of PJSC IDGC of Center and Volga Region.
4. **Nikitushkin Evgeny Vladimirovich** – Head of the Treasury of PJSC IDGC of Center and Volga Region.
5. **Podolskaya Lada Aleksandrovna** – Deputy General Director for Corporate Governance of PJSC IDGC of Center and Volga Region.
6. **Prepodobny Aleksandr Vasilievich** – Deputy General Director for Security of PJSC IDGC of Center and Volga Region.
7. **Tikhomirova Olga Vladimirovna** – Deputy General Director for Economics and Finance of PJSC IDGC of Center and Volga Region.
8. **Shitts Vladimir Viktorovich** – Deputy General Director for Investment Activity of PJSC IDGC of Center and Volga Region.
9. **Yashanina Irina Viktorovna** – Deputy General Director - Head of Administration of PJSC IDGC of Center and Volga Region.

By resolution of the Board of Directors of PJSC IDGC of Center and Volga Region dated December 30, 2015 (Minutes No. 209 dated January 11, 2016), the authority of Yashanina Irina Viktorovna, the member of the Management Board of PJSC IDGC of Center and Volga Region and Deputy General

Director - Head of Administration of PJSC IDGC of Center and Volga Region, was terminated; the new composition of the Management Board includes 8 (eight) persons.

Detailed information on the members of the Company's Management Board is provided in Supplement No. 7 to the Annual Report.

Participation of the Management Board members in meetings of the Management Board and the Board of Directors committees in 2015

Full name	Meetings			
	Management Board	Strategy and Development Committee	Reliability Committee	Committee for Technological Connection to Power Grids
Ushakov Evgeny Viktorovich	60/47	22/22		
Andrus Sergey Timofeevich	60/51		14/14	5/5
Vedernikov Andrey Yurievich	60/46			
Nikitushkin Evgeny Vladimirovich	60/53			
Podolskaya Lada Aleksandrovna	60/49			3/3
Prepodobny Aleksandr Vasilievich	60/53			
Tikhomirova Olga Vladimirovna	60/53		14/14	
Shitts Vladimir Viktorovich	60/49			
Yashanina Irina Viktorovna	60/46			

Notes:

- *The first figure is the total number of meetings in which the Management Board member was entitled to participate, and the second one is the number of meetings attended.*
- *Management Board members are not in the Audit Committee or HR and Remunerations Committee.*

The average percentage of the Management Board members' participation in meetings is 83%.

Remuneration to the Members of the Management Board

By resolution of the Board of Directors of PJSC IDGC of Center and Volga Region, the Chairman of the Management Board determines the conditions of work and signs labor agreements with the members of the Management Board.

All members of the Management Board are considered top managers of PJSC IDGC of Center and Volga Region, the list of which is approved by the Board of Directors of the Company. The remunerative incentives for top managers of the Company are subject to the Regulation on Remunerative Incentives and Social Benefits to Top Managers of JSC IDGC of Center and Volga Region (approved by

the Board of Directors on July 18, 2011, Minutes No. 80), which intends to increase the efficiency of management of the Company's property and finance.

According to the Regulation on Remunerative Incentives and Social Benefits to Top Managers, the members of the Management Board receive personal monthly bonuses in the amount of 15% of the official salary for exercise of their powers.

**Remuneration and compensations paid to the members of the Management Board in 2015, RUB
thous.**

Indicator	2015
Remuneration for work in the management body	4,234.6
Salary	87,982.3
Bonuses	0
Commission	0
Other types of remuneration	250.7
Compensation for expenses	531.0
TOTAL:	92,998.6

Note: Amounts are indicated before the personal income tax.

Information on remuneration paid to the members of the Management Board in 2015 due to participation in the meetings of the Board of Directors is disclosed in the "Board of Directors" subsection of this Annual Report.

Quarterly and yearly bonuses for top managers depend on the degree of achievement of KPIs set by the Board of Directors of the Company, which are related to the Company's strategy. KPIs are measurable and motivate employees to achieve results and ensure objective assessment of their performance.

Detailed information on KPIs is presented in Section 4.4.2. "Key Performance Indicators and Information on Their Achievement" of this Annual Report.

The Regulation on Remunerative Incentives and Social Benefits to Top Managers provides for non-recurrent bonuses for essential accomplishments.

In 2015, due to their high professionalism and personal contribution to the development of the power industry, a number of members of the Management Board of PJSC IDGC of Center and Volga Region were given corporate awards of PJSC Russian Grids.

Training of Members of the Management Board

Pursuant to the Standard titled "Management System of Training, Retraining, Advanced Training, Protection of Occupational Health and Safety. Procedure for Organizing and Carrying Out HR Management" (STO 01-070-2015 developed in accordance with requirements of ISO 9001:2008, ISO 14001:2004, OHSAS 18001:2007, ISO 50001:2011) and in accordance with the approved Advanced Program for Training and Advanced Training of the Company's Personnel, the Management Board members are involved in the single corporate system of continuing professional education of personnel.

In the reporting year, Sergey Andrus, First Deputy General Director - Leading Engineer of the Company, participated in the training program for managers and specialists in Occupational Health and Safety.

In 2015, according to the established periodicity, Vladimir Shitts, Deputy General Director for Investment Activity of the Company, participated in the Construction Management training program.

General Director

In accordance with Article 23 of the Company's Charter, the issues within the competence of the General Director of PJSC IDGC of Center and Volga Region include all issues related to the management of daily operations of the Company, except for the issues within the competence of the General Shareholders Meeting, the Board of Directors and the Management Board.

The General Director presents for the consideration of the Board of Directors the reports on fulfillment of resolutions (assignments) of the Board of Directors of PJSC IDGC of Center and Volga Region, and other reports in compliance with the current legislation, the operations plan of the Board of Directors and the internal documents of the Company.

The General Director completed all assignments of the Board of Directors of PJSC IDGC of Center and Volga Region for 2015.

Ushakov Evgeny Viktorovich – Chairman of the Management Board, General Director of PJSC IDGC of Center and Volga Region (the Company's Sole Executive Body)

Year of birth: 1964.

Education: higher professional, the Lenin Komsomol Chelyabinsk Polytechnic Institute.

All positions held by the person in the Company and other organizations for the last 5 years and presently, including part-time positions, are listed below:

Period		Organization	Positions
from	through		
2007	Present	PJSC IDGC of Center and Volga Region	General Director
2008	Present	PJSC IDGC of Center and Volga Region	Chairman of the Management Board
2011	Present	PJSC IDGC of Center and Volga Region	Member of the Board of Directors

The Company's ordinary shares owned by the person (share in the charter capital) as of December 31, 2014: **0.077%**.

The Company's ordinary shares owned by the person (share in the charter capital) as of December 31, 2015: **0.077%**.

In 2015, the person made no transactions with the shares in the Company.

Remuneration to the General Director

Mr. Ushakov E.V. was elected the Company's General Director on June 28, 2007. The labor agreement with Mr. Ushakov E.V. is valid through September 27, 2018.

The labor conditions, guarantees and compensations to the General Director during fulfillment of his duties are defined by the labor agreement, the terms and conditions of which are determined by a person authorized by the Board of Directors of the Company.

The Regulation on Remunerative Incentives for the General Director, which is a supplement to the labor agreement, regulates the amount of quarterly and yearly bonuses for achievement of KPIs, and provides for non-recurrent bonuses for essential accomplishments.

Information on remuneration, benefits and compensations paid to the person acting as the General Director in 2015 is disclosed as part of remuneration to the members of the Company's Management Board in subsection "Remuneration to the Members of the Management Board" of this Annual Report.

Detailed information on KPIs is presented in Section 10.2. of this Annual Report.

Assessment of the Input

In 2011, Mr. Ushakov E.V. received a governmental award for his personal contribution to the development of the power industry - title of the Honored Power Engineer of the Russian Federation.

He also holds the following industry and corporate awards:

- The title of the Honorary Worker of the Unified Energy System of Russia from JSC RAO UES of Russia, 2004.
- The title of the Honorary Power Engineer from the Ministry of Energy of the Russian Federation, 2009.
- Badge of Honor "For Development of the Distribution Grid Complex" from JSC IDGC Holding, 2011.
- Badge of Honor "Honorary Worker of the Distribution Grid Complex" from JSC IDGC Holding, 2012.
- The title of the Honorary Worker of Fuel and Energy Industry from the Ministry of Energy of the Russian Federation, 2014.
- Badge of Honor "For Contribution to Construction of Olympic Facilities" from JSC Russian Grids, 2014.
- Medal "In Commemoration of the 95th Anniversary of GOELRO Plan", 2015.
- Medal, 2nd class "For Contribution to the Development of the Power Grid Complex" from PJSC Russian Grids, 2015.

In 2011, Mr. Ushakov E.V. was included in the Book of Honor of JSC IDGC Holding.

Moreover, he received:

- The Letter of Gratitude from the Government of the Nizhny Novgorod Region, 2007.
- The Certificate of Merit from the Governor of the Nizhny Novgorod Region, 2009.
- Commemorative Medal "XXII Olympic Winter Games and XI Paralympic Winter Games of 2014 in Sochi", 2015
- Badge of Honor "For Fellowship" of the public organization All-Russian Electric Trade Union, 2015

On behalf of His Holiness Patriarch of Moscow and All Russia, Mr. Ushakov was awarded the Order of the Russian Orthodox Church of the Reverend Seraphim of Sarov of III Grade in 2009 and the Order of the Reverend Sergius of Radonezh of III Grade in 2010 for his major contribution to fostering the cooperation with the Orthodox establishments.

Training of the General Director

In 2015, according to the established periodicity, the General Director did not undergo training in educational institutions.

5.1.3. Information on the Transactions Made by the Company in 2015 which Are Recognized by the Legislation of the Russian Federation as Interested Party Transactions and Major Transactions

In 2015, the Company made no transactions considered as major transactions under the Russian legislation.

All interested party transactions were conducted by the Company based on the arm's length principle and were approved by the Board of Directors. Full information on these transactions is available in Supplement No. 8 to the Annual Report.

5.1.4. Participation in Non-Commercial Organizations

As of December 31, 2015, the Company is a member of 16 (sixteen) different non-commercial organizations of regional and federal significance and is the founding member of 7 (seven) educational organizations in the regions of its operation.

Detailed information on the non-commercial organizations in which the Company participates or is a founding member, is available on its website: <http://www.mrsk-cp.ru> in the section 'For Shareholders and Investors / List of the Non-Commercial Organizations in which the Company Participates' (http://www.mrsk-cp.ru/stockholder_investor/nonprofit_organizations_list/).

Information on the network of corporate training centers of the Company is disclosed in the "Sustainable Development" section of this Annual Report.

In 2016, the Company plans to continue active participation in non-commercial organizations and develop the specialized educational centers where the Company is a founding member.

5.2. Shareholders' Capital and Dividend Policy

5.2.1. Securities

The charter capital of PJSC IDGC of Center and Volga Region totals RUB 11,269,781,704.30 (eleven billion two hundred sixty nine million seven hundred eighty one thousand seven hundred four point thirty).

The Company placed 112,697,817,043 (one hundred twelve billion six hundred ninety seven million eight hundred seventeen thousand forty three) ordinary shares with the nominal value of 10 kopecks each.

The number of authorized shares is 2,182,957 (two million one hundred eighty two thousand nine hundred fifty seven) ordinary registered shares with the nominal value of 10 kopecks each. These shares are the difference between the number of authorized shares (112,600,000,000) and the number of shares (112,597,817,043) placed during the reorganization of the Company, which took place in 2008 in the form of merger with nine distribution grid companies (DGC).

The Company placed no preferred shares.

Issue of shares by the Company

Issue	Date of the issue registration	State registration number of the issue	Number of shares in the issue	Nominal value, RUB
Initial (primary) issue	August 20, 2007	1-01-12665-E	100,000,000	0.1
Additional Issue 001	February 21, 2008	1-01-12665-E-001D	9,933,178,038	0.1
Additional Issue 002	February 21, 2008	1-01-12665-E-002D	5,238,075,351	0.1
Additional Issue 003	February 21, 2008	1-01-12665-E-003D	10,154,553,057	0.1
Additional Issue 004	February 21, 2008	1-01-12665-E-004D	8,579,998,539	0.1
Additional Issue 005	February 21, 2008	1-01-12665-E-005D	4,095,509,962	0.1
Additional Issue 006	February 21, 2008	1-01-12665-E-006D	31,184,103,348	0.1
Additional Issue 007	February 21, 2008	1-01-12665-E-007D	13,343,991,837	0.1
Additional Issue 008	February 21, 2008	1-01-12665-E-008D	7,567,715,086	0.1
Additional Issue 009	February 21, 2008	1-01-12665-E-009D	9,990,288,421	0.1
Additional Issue 010	February 21, 2008	1-01-12665-E-010D	665,242,563	0.1
Additional Issue 011	February 21, 2008	1-01-12665-E-011D	2,574,822,120	0.1
Additional Issue 012	February 21, 2008	1-01-12665-E-012D	327,892,112	0.1
Additional Issue 013	February 21, 2008	1-01-12665-E-013D	7,749,197,134	0.1
Additional Issue 014	February 21, 2008	1-01-12665-E-014D	1,193,249,475	0.1
Primary and additional issues combined (July 1, 2008)	August 20, 2007	1-01-12665-E	112,697,817,043	0.1
Total number of shares outstanding			112,697,817,043	0.1

Cross-holding as of December 31, 2015

Name of the shareholder	Number of shares		Nominal value of the share, RUB	Nominal value of the investment, RUB	% of the charter capital
	Ordinary	Preferred			
Information on the shares in PJSC IDGC of Center and Volga Region held by PJSC Russian Grids					
PJSC Russian Grids	56,799,338,107	-	0.1	5,679,933,810.7	50.4
Information on the shares in PJSC Russian Grids held by PJSC IDGC of Center and Volga Region					
PJSC IDGC of Center and Volga Region	2,080,389	-	1.0	2,080,389	0.0013*

* of the registered charter capital of PJSC Russian Grids

The Company holds shares in PJSC Russian Grids due to the legal succession of the shares in JSC RAO UES of Russia from JSC Kirovenergo, which was merged with the Company. During the reorganization of JSC RAO UES of Russia the shareholders in the latter were given the shares in a number of power industry companies, including JSC IDGC Holding (currently PJSC Russian Grids).

Shareholders

Structure of the shareholders' capital (5% and more)

Type*	Full (abbreviated) name	Address	% of the charter capital	
			as of December 31, 2014	as of December 31, 2015
Ow	Public Joint Stock Company Russian Grids (PJSC Russian Grids)	121353, 4 Belovezhskaya Street, Moscow, Russia	50.40	50.40
NH	Non-Banking Credit Organization Closed Joint Stock Company National Settlement Depository (NPO CJSC NSD)	105066, 12 Spartakovskaya Street, Moscow, Russia	44.42	44.48
	Other		5.18	5.12
	TOTAL		100	100

* Ow – Owner, NH – Nominee holder

Note: The information above contains no data on the clients of nominee holders.

Structure of the shareholders' capital (5% and more) on the date of compilation of the list of persons

entitled to participation in the General Shareholders Meeting

Name	% of the charter capital	
	as of May 19, 2014	as of May 8, 2015
PJSC Russian Grids	50.40	50.40
Genhold Limited	15.88	15.87
Energys Solutions Russia (Cyprus) Limited	6.26	6.26
Energosouz Holdings Limited	5.40	5.40
Other	22.06	22.07
TOTAL	100	100

Note: The Company has no data on the existence of the shareholdings exceeding 5%, except for the above-mentioned.

* Before July 17, 2015 – JSC Russian Grids

Shareholders statistics

Type of shareholder	As of December 31, 2014		As of December 31, 2015	
	Number of shareholders	% of the charter capital	Number of shareholders	% of the charter capital
Owners – individuals	18,973	3.776	18,952	3.728
Owners – legal entities	148	1.289	147	1.277
State property (Russian Federation, entities of the Russian Federation)	3	0.004	3	0.004
Nominee holders	8	94.931	8	94.991
Beneficial owners	1	< 0.001	1	< 0.001
TOTAL	19,133	100	19,111	100

Note: The information above contains no data on the clients of nominee holders.

Shareholders' capital concentration

Number of shares owned	Number of shareholders as of July 3, 2012	Number of shareholders as of May 8, 2013	Number of shareholders as of May 19, 2014	Number of shareholders as of May 8, 2015
1 – 1,000	3,048	3,007	2,983	2,950
1,001 – 10,000	5,659	5,625	5,628	5,619
10,001 – 100,000	5,220	5,185	5,208	5,188
100,001 – 1,000,000	6,110	5,985	6,026	6,008
1,000,001 – 10,000,000	1,060	1,012	1,036	994
10,000,001 – 100,000,000	131	121	116	112
100,000,001 – 1,000,000,000	35	31	37	31
1,000,000,001 – 10,000,000,000	6	6	5	6
10,000,000,001 – 56,799,338,107	2	2	2	2
Total	21,271	20,974	21,041	20,910

The rights of shareholders are stipulated by the legislation of the Russian Federation (federal laws and other regulatory acts), as well as by the Charter of PJSC IDGC of Center and Volga Region. The Company guarantees that the rights of shareholders are properly respected. The key rights of the Company's shareholders are stated in Supplement No. 9 to the Annual Report.

Shares in the Stock Market

In 2015, the shares of PJSC IDGC of Center and Volga Region were traded on the leading Russian stock exchange, CJSC MICEX Stock Exchange, incorporated in PJSC Moscow Exchange.

After consolidation of the primary issue and 14 additional issues of the Company's shares on July 1, 2008, the Company's shares of the primary (consolidated) issue are traded on the stock market under registration number 1-01-12665-E, with the ticker MRKP.

Starting date without listing procedure	Starting date in 'B' Quotation List	Starting date in 'A' Quotation List, Level 2	Starting date in 'A' Quotation List, Level 1	Starting date in 'A' Quotation List, Level 2	Starting date in Quotation List, Level 1 (Top Level)
April 7, 2008	September 23, 2008	May 18, 2011	February 27, 2012	April 8, 2014	June 9, 2014

The Quotation List of Level 1 (Top Level) of CJSC MICEX Stock Exchange includes the securities of issuers which comply with the strictest requirements of the stock exchange for corporate governance, level of information transparency and liquidity.

Presence of shares of PJSC IDGC of Center and Volga Region in the highest quotation list of the stock exchange increases investment attractiveness of the Company and expands the range of potential shareholders.

Company's Shares Included in Stock Indices

The shares of PJSC IDGC of Center and Volga Region are included in the basis for calculation of the following stock indices:

Name	Code of the index	Share of securities of PJSC IDGC of Center and Volga Region in the index, %*	Updated on
The Moscow Exchange Second-Tier Index	MICEXSC	1.05	December 30, 2015
The Moscow Exchange Second-Tier Index in USD	RTS2	1.05	December 30, 2015
MICEX Power Index	MICEX PWR	1.15	December 30, 2015
RTS Electric Utilities	RTSeu	1.15	December 30, 2015
The Moscow Exchange Broad Market Index	MICEXBMI	0.02	December 30, 2015
MOEX Regulated Companies Index	MOEX RegCo Index	1.70	January 5, 2015

In 2015, the capitalization of PJSC IDGC of Center and Volga Region decreased by 41.1% to RUB 7.07 bln, the MICEX Index increased by 26.1%, and the MICEX Power Index rose by 18.4%.

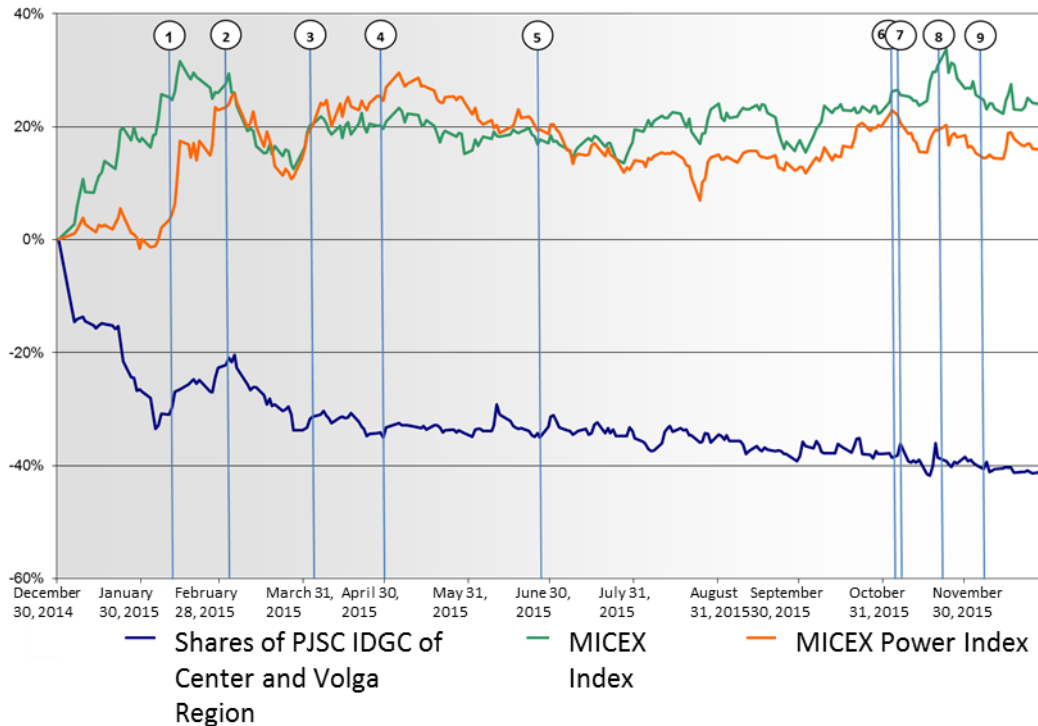
In 2015, maximum capitalization reached RUB 10.35 bln, while the minimum one was RUB 6.99 bln.

Share Price of PJSC IDGC of Center and Volga Region in 2013-2015

Price, RUB	2013	2014	2014/2013 (relative growth), %	2015	2015/2014 (relative growth), %
Maximum for the year	0.222	0.118	-46.8	0.099	-16.1
Minimum for the year	0.057	0.060	5.3	0.061	1.7
Weighted average at the year end	0.067	0.106	58.2	0.063	-40.6

The financial and operating results of PJSC IDGC of Center and Volga Region, statements of the management of Minenergo on state regulation of tariffs in the power industry, their indexation and other factors affected the trends in the Company's shares in the previous year.

Changes in the Company's share value and MICEX indices in 2015

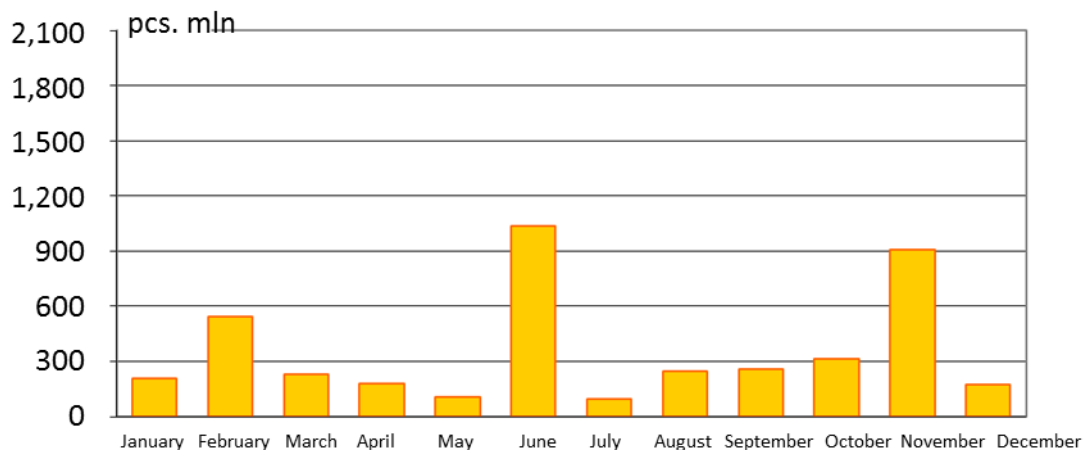


1. Proposal of the Deputy Minister of Energy of the Russian Federation that in order to eliminate cross subsidization, the growth rate of tariffs in the power industry should outstrip the increasing inflation rate.
2. Publication of accounting (financial) statements under RAS for 2014. The net profit decreased by 45.7%.
3. Publication of the Company's IFRS consolidated financial statements for 2014. The Company's loss totaled RUB 1.6 bln.
4. Statement of the head of the Federal Agency for State Property Management (Rosimushchestvo) that Russian Grids is not ready for privatization of interregional distribution grid companies in 2015.
5. Proposal of Minenergo regarding the revision of tariff and balance decisions for the long term, including the increase of the period of RAB regulation from 5 to 10 years to compensate for losses of grid companies on tariff growth smoothing.
6. The President of the Russian Federation signed a law aimed at improving the payment discipline of energy resource consumers.
7. The Government Expert Council criticized Minenergo's amendments to the law "On the Electric Energy Industry" related to including the investment component for new infrastructure construction in the costs of technological connection.
8. Statement of the head of Minenergo that keeping tariffs on utilities at the level of 4% will result in additional costs in the power grid complex.
9. Moody's international rating agency changed the outlook for the credit rating of PJSC IDGC of Center and Volga Region from "negative" to "stable".

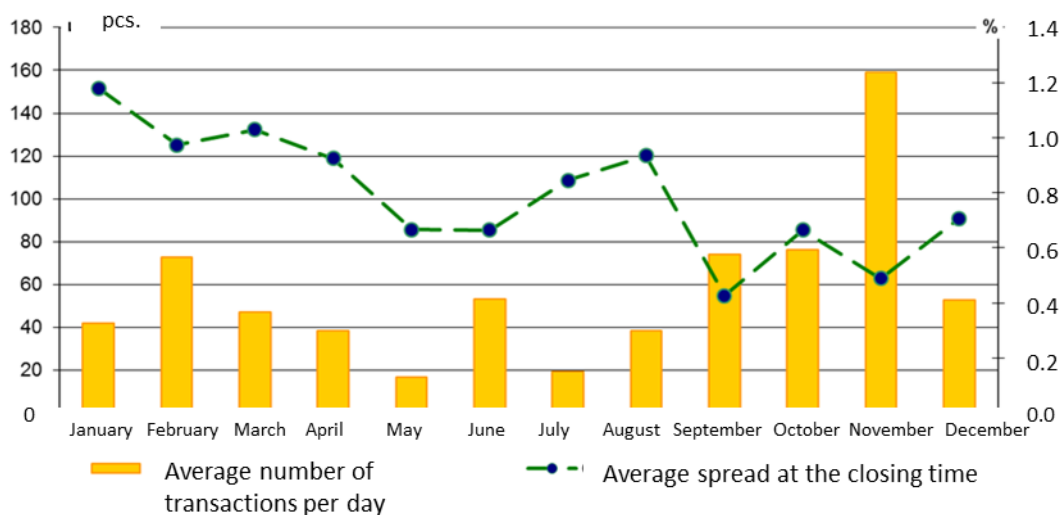
Trading volume of the Company's shares on MICEX in 2014-2015

	pcs.			RUB		
	2014	2015	Change, %	2014	2015	Change, %
Trading volume	6,761,680,000	4,304,880,000	-36.3	555,841,903	305,402,308	-45.1

Trends in the trading volume of the Company's shares on MICEX in 2015



Trends in the spread* and number of transactions on MICEX in 2015



* Spread is the percentage difference between the best purchase offer price and the best sales offer price.

More details on the results of the Company's shares trading on MICEX are shown on the corporate website <http://www.mrsk-cp.ru> in the section 'For Shareholders and Investors'/Securities market/Interactive Stock Chart'

(http://www.mrsk-cp.ru/stockholder_investor/securities/stock_graph/).

Market features

Parameter	December 30, 2013	December 30, 2014	2014/2013 (relative growth), %	December 30, 2015	2015/2014 (relative growth), %
Weighted average price, RUB	0.06726	0.1064	58	0.0627	-41
Capitalization, RUB mln	7,580	11,991		7,066	
EV, RUB mln	27,592	34,554	25	29,598	-14

EV/EBITDA	2.52	3.39	35	2.82	-17
P/E capitalization/net profit	2.99	8.7	191	7.49	-14
P/S capitalization/revenue	0.10	0.17	70	0.10	-41
EV/RAB	0.31	0.37	19	0.33	-11

As of December 31, 2015, the consensus forecast of investment analysts exceeded the weighted average price of the Company's share by 27.6%, which bore evidence of underestimate of shares of PJSC IDGC of Center and Volga Region by the stock market.

Analytical reports and recommendations of investment companies regarding the shares of PJSC IDGC of Center and Volga Region are available on the corporate website (<http://www.mrsk-cp.ru>) in the section 'For Shareholders and Investors/Securities market/Synthesis Reports and Recommendations' (http://www.mrsk-cp.ru/stockholder_investor/securities/analysis_and_recommendations/analysis/).

The decrease in capitalization and debt capital in 2015 resulted in the decline in EV, i.e. enterprise value, which equals market capitalization plus debt obligations minus cash and cash equivalents.

The EV/EBITDA ratio, which was used in comparative evaluation of investment attractiveness of companies, decreased by 17% due to the decrease in EV by 14% and the increase in EBITDA by 3%.

The year-on-year decrease in capitalization and net profit of the Company in 2015 by 41% and 32%, respectively, together with a slight change in revenue, resulted in the decrease in P/E and P/S ratios.

The EV/RAB ratio, used to compare the companies which had adopted long-term RAB-based tariff regulation, declined due to decreased enterprise value of the Company (EV).

The special right to participation of the Russian Federation, the entities of the Russian Federation, or municipal entities in the management of PJSC IDGC of Center and Volga Region ('golden share') is not stipulated.

Compliance with the Listing Rules of the Stock Exchange

The Listing Rules of CJSC MICEX Stock Exchange provide for requirements which must be followed to keep the issuer's securities in the quotation list of the stock exchange. The shares of PJSC IDGC of Center and Volga Region are included in the Quotation List of Level 1 (Top Level).

In order to keep the securities in the list of top-level securities:

- The issuer must disclose the statements subject to mandatory disclosure (including financial (accounting) statements));
- The issuer must comply with the corporate governance requirements of the stock exchange;
- The issuer's shares must comply with requirements of the stock exchange regarding the number of outstanding shares.

PJSC IDGC of Center and Volga Region discloses information in accordance with the laws on the securities market in full, in the manner and time as established by the Bank of Russia Regulation No. 454-P, dated 30 December 2014, 'On Disclosing Information by the Issuers of Issue-Grade Securities'.

Information on compliance of PJSC IDGC of Center and Volga Region with the requirements for corporate governance of the issuer and the number of outstanding shares set out in the Listing Rules of the Stock Exchange is shown in Supplement No. 9 to this Annual Report.

5.2.2. Profit Allocation

At the end of 2015, PJSC IDGC of Center and Volga Region earned net profit of RUB 942,560 thous. The net profit corresponds to the data in the Company's accounting statements. According to the Company's Charter, the decision on profit allocation is made by the General Shareholders Meeting.

For the first time, the dividends on the Company's shares were accrued for 2010. In 2012-2014, at least 25% of net profit was allocated for dividend payments to the Company's shareholders. The table below shows profit distribution for five years preceding the reporting year. The report on dividend payments is available in the "Dividend Policy" section of the Annual Report.

Net profit allocation by the end of 2010-2014, RUB thous.

	2014	2013	2012	2011	2010*
Retained earnings	1,378,092	2,536,092	1,915,769	4,232,120	1,397,757
Reserve fund	0	0	0	46,340	69,888
Development	1,028,729	1,901,603	1,436,803	3,870,226	1,186,869
Dividends	349,363	634,489	478,966	315,554	141,000

* Net profit allocation in 2010 is shown in accordance with the resolution of the General Shareholders Meeting of the Company. Retained earnings correspond to the accounting data as of the end of the reporting period.

In addition to dividend payments to shareholders, net profit may be allocated for the reserve fund and investments. In 2011, the Reserve Fund of the Company was formed in full, and reached the amount of 5% of the charter capital as regulated by the Company's Charter. The Reserve Fund is established for covering losses, as well as for redemption of the Company's bonds and shares in case of unavailability of other funds.

5.2.3. Dividend Policy

PJSC IDGC of Center and Volga Region recognizes how important it is for the shareholders to receive income in the form of dividends on their investments made by purchasing the Company's shares. The Company **has adopted a transparent and clear mechanism for determining the sum of dividends and their payment**

and established a procedure for dividend payment that is most convenient for the shareholders. In addition, the Company has taken measures to eliminate incomplete or untimely payment of dividend.

To ensure that the mechanism for determining the amount of and procedure for dividend payment

The Company's dividend policy aims to recognize and observe the rights of all the shareholders, to provide necessary conditions for increasing the capitalization and investment attractiveness of the Company and to ensure effective balance between net profit allocation for dividend payment and the Company's development.

The amount of dividend allocated in 2015 following the results of work in 2014 was
RUB 349.4 mln
(25.4% of the net profit)

is transparent, the Board of Directors approved the Regulation on the Dividend Policy (Minutes No. 61, as of September 1, 2010), which establishes conditions, procedure, terms and form of dividend payment. The Regulation can be accessed on the Company's website (www.mrsk-cp.ru) in the section 'About the Company' / 'Internal Documents'

(http://www.mrsk-cp.ru/stockholder_investor/disclosure_reporting_info/vnutrennie-dokumenty-obshchestva/).

In accordance with the Regulation on the Dividend Policy the decision to pay out dividends can be taken when the following conditions are observed simultaneously:

- delivery of net profit less re-evaluation of financial investments;
- the year-end debt/EBITDA ratio does not exceed three (otherwise redemption of the debt is a priority);
- the targets for reliability of power supply have been achieved (otherwise profit is distributed so as to take measures to enhance reliability of power supply and services quality).

If all of the above-mentioned conditions are observed, the amount of dividend payments is determined as the year-end balance of the net profit (less re-evaluation of financial investments) after it has been allocated for mandatory reserves and investments and to offset the operational losses of the previous years.

Dividend yield*

	Unit	By the end of 2010	By the end of 2011	By the end of 2012	By the end of 2013	By the end of 2014
Basic earnings per share	RUB	0.0124	0.0376	0.0170	0.0225	0.0122
Diluted EPS	RUB	-	-	-	-	-
Dividend payout ratio	%	10.1	7.5	25.0	25.0	25.4
Dividend per share	RUB	0.00125	0.00280	0.00425	0.00563	0.0031
Dividend yield (as of the year end), %**	%	0.4	1.9	2.5	8.3	2.9

* Indicators are calculated on the basis of accounting data (RAS) as of the end of the reporting year.

** The indicator is calculated as (the ratio of the dividend per 1 share to the weighted average price per 1 share as of the year end) * 100%.

Payout of dividends accrued in 2010-2014

Date of the decision to pay dividends (date of the Annual General Shareholders Meeting)	Reporting period for which dividends were accrued and paid	Dividends accrued, RUB mln	% of declared dividends in net profit of the reporting year	Dividends paid as of December 31, 2015 RUB mln	% of dividends paid*
June 14, 2011	2010	141.00	10.1	139.23	98.74
June 22, 2012	2011	315.55	7.5	312.48	99.02
June 18, 2013	2012	478.97	25.0	473.13	98.78
June 26, 2014	2013	634.49	25.0	624.73	98.46
June 16, 2014	2014	349.36	25.4	344.22	98.53

* Deviation from 100% payment of accrued dividends is connected with the fact that information about postal and banking details of some shareholders in the register system, necessary for the transfer of funds, is absent or unreliable.

Dividend payout in 2015

Reporting period for which dividends were accrued and paid	Dividends paid in 2015, RUB thous.
2011	2.35
2012	47.65
2013	322.11
2014	344,220.15
TOTAL:	344,592.26

The amount of dividends transferred to the federal budget in the reporting period was RUB 13,893.02.

There is no debt related to payment of dividends to the federal budget.

5.2.4. Tax Liabilities of Shareholders

The taxes imposed on legal entities and individuals in connection with the outstanding equity securities of the Company are regulated by the Tax Code of the Russian Federation and other regulatory and legal documents adopted in accordance with the Tax Code of the Russian Federation.

Tax rates on the securities income, %

Type of income	Legal entities		Individuals	
	Residents	Non-residents	Residents	Non-residents
Dividend yield	13 or 0*	15	13	15
Proceeds from securities sales	20	20	13	30

* In cases stipulated by Paragraph 1 of Clause 3 of Article 284 of the Tax Code of the Russian Federation.

6. External and Internal Control System

6.1. Audit Commission

Key functions

The Audit Commission is a permanently functioning body of internal control of the Company, controlling the financial and economic activities of the Company, its separate subdivisions, officers of the Company's management bodies and structural divisions of the Company's Executive Body on a regular basis, to ensure compliance with the legislation of the Russian Federation, the Company's Articles of Association and the Company's internal documents. The Audit Commission acts in the interests of the Company's shareholders. The Audit Commission is accountable to the Company's General Shareholders Meeting.

In accordance with Federal Law No. 208-FZ "On Joint-Stock Companies" dated December 26, 1995, the area of competence of the Audit Commission is determined by the Company's Articles of Association (Article 24 of the Articles of Association of PJSC IDGC of Center and Volga Region).

The functions of the Audit Commission are also described in the Regulation on the Audit Commission of PJSC IDGC of Center and Volga Region, approved by the resolution of the Company's General Shareholders Meeting (Minutes No. 9 dated June 16, 2015).

The full text of the Articles of Association and the Regulation is available on the Company's website: http://www.mrsk-cp.ru/stockholder_investor/disclosure_reporting_info/vnutrennie-dokumenty-obshchestva/

Key objectives of the Audit Commission include:

- controlling the Company's financial and economic activities;
- independent assessment of accuracy of data provided in the Company's Annual Report and annual accounting statements.

In 2015 the Audit Commission of the Company held 3 meetings in person and in absentia; at the meetings the Audit Commission considered 9 issues. Minutes of the meetings of the Audit Commission are available on the Company's website at http://www.mrsk-cp.ru/about/internal_control_and_risk-management/audit_commission_protocols/.

According to the work plan of the Audit Commission, in the reporting period it held 1 audit:

1. Audit of the Company's financial and economic activity in 2014.

Members of the Audit Commission

The number of the Company's Audit Commission members as stipulated by Paragraph 24.1 of Article 24 of the Company's Articles of Association is five (5) persons.

In the reporting period, the Audit Commission worked in two teams.

From June 26, 2014 through June 16, 2015 the Audit Commission was composed of the following members elected at the Annual General Shareholders Meeting of June 26, 2014 (Minutes No. 8 dated June 26, 2014) (positions are indicated as of the moment of election):

1. Lelekova Marina Alekseevna (Chairman of the Audit Commission) - Director of the Internal Audit and Control Department of JSC Russian Grids;
2. Kirillov Artyom Nikolaevich – Head of the Investment Audit Division of the Audit Activity and Internal Audit Administration of the Internal Audit and Control Department of JSC Russian Grids;

3. Bunyayeva Maria Viktorovna – Leading expert of the General Audit and Inspections Division of the Audit Activity and Internal Audit Administration of the Internal Audit and Control Department of JSC Russian Grids;

4. Malyshev Sergey Vladimirovich – Leading expert of the Investment Audit Department of the Audit Activity and Internal Audit Administration of the Internal Audit and Control Department of JSC Russian Grids;

5. Pokrovsky Sergey Vladimirovich – Expert, Deputy Executive Director of the Investor Protection Association.

The current Audit Commission was elected by the Annual General Shareholders Meeting of the Company on June 16, 2015 (Minutes No. 9 dated June 16, 2015) (positions are indicated as of the moment of election):

1. Lelekova Marina Alekseevna (Chairman of the Audit Commission) - Director of the Internal Audit and Control Department of JSC Russian Grids;

2. Kirillov Artem Nikolaevich – Head of the Investment Audit Division of Audit Activity and Internal Audit Administration of the Internal Audit and Control Department of JSC Russian Grids;

3. Lukovkina Irina Pavlovna – Head of the Methodology Division of the Control and Risks Administration of the Internal Audit and Control Department of JSC Russian Grids;

4. Medvedeva Oksana Alexeevna – Head of the General Audit and Inspections Division of the Audit Activity and Internal Audit Administration of the Internal Audit and Control Department of JSC Russian Grids;

5. Guseva Elena Yurievna – Leading Expert of the Investment Audit Division of the Audit Activity and Internal Audit Administration of the Internal Audit and Control Department of JSC Russian Grids.

Details on the members of the Audit Commission of the Company are shown in Supplement No. 7 to the Annual Report.

Remuneration of the Audit Commission members

Pursuant to the Regulations on Remunerations and Compensations to the members of the Audit Commission of PJSC IDGC of Center and Volga Region, as approved by the Annual General Shareholders Meeting (Minutes No. 9 dated June 16, 2015), remuneration is paid to a member of the Company's Audit Commission at the end of the corporate year depending on their involvement in the work of the Audit Commission.

Remuneration to the Audit Commission members for participation in the Audit Commission from 2013 through 2015 (excluding individual income tax):

Payment, RUB	2013	2014	2015
Remuneration	1,785,837.5	1,432,500.00	876,150.00
Compensation	0.00	0.00	0
Total	1,785,837.5	1,432,500.00	876,150.00

The Company confirms that the current members of the Audit Commission have agreed to disclose personal information.

6.2. Auditor of the Company

The Auditor performs independent audit of the Company's accounting and financial (accounting) statements and draws a conclusion on their accuracy and compliance of the accounting procedures with the legislation of the Russian Federation.

The Central Purchasing Commission of a superior entity selects an audit company to audit the financial statements of the Company prepared in accordance with the Russian Accounting Standards (RAS) and the International Financial Reporting Standards (IFRS).

The Audit Committee of the Board of Directors of the Company assesses the auditor's qualification, performance and compliance with the requirements of independence, providing a conclusion regarding the candidate. The Board of Directors proposes a candidate for auditing the financial statements of the Company prepared in accordance with RAS for consideration and approval at the General Shareholders Meeting of the Company.

By the resolution of the Annual General Shareholders Meeting of the Company as of June 26, 2014, (Minutes No. 8), from January 1, 2015 through June 16, 2015, LLC Ernst & Young was the Auditor of PJSC IDGC of Center and Volga Region.

LLC Ernst & Young was also chosen for carrying out financial (accounting) statements audit and consolidated financial statements audit for 2014.

Address: 115035, bld. 1, 77 Sadovnicheskaya Nab., Moscow

LLC Ernst & Young is a member of the Self-Regulatory Organization of Auditors Non-Commercial Partnership "Russian Auditing Chamber" (Certificate No. 3028).

On July 24, 2014, the Company signed an audit services agreement (audit of financial statements prepared in accordance with RAS and IFRS) with LLC Ernst & Young No. 2014-0207 in the amount of RUB 4,987.182 thousand, including VAT.

The fee paid to LLC Ernst & Young under the agreement was RUB 4,987.182 thousand, including VAT.

Special audit services or non-audit services were not provided by LLC Ernst & Young in 2015.

By the resolution of the Annual General Shareholders Meeting of the Company as of June 16, 2015 (Minutes No. 9), LLC RSM RUS was approved as the Auditor of PJSC IDGC of Center and Volga Region for financial (accounting) statements audit in 2015.

LLC RSM RUS was also chosen as the Auditor of PJSC IDGC of Center and Volga Region for consolidated financial statements audit in 2015.

Location: 119285, 4, Pudovkina Str., Moscow, Russian Federation

LLC RSM RUS is a member of the Self-Regulatory Organization of Auditors Non-Commercial Partnership "Audit Association Sodruzhestvo".

On October 5, 2015, the Company signed an audit services agreement (audit of financial statements prepared in accordance with RAS and IFRS) with LLC RSM RUS No. 15a091 in the amount of RUB 3,051.422 thousand, including VAT.

The fee paid to LLC RSM RUS in 2015 under the agreement was RUB 610.284 thousand, including VAT.

Special audit services or non-audit services were not provided by LLC RSM RUS in 2015.

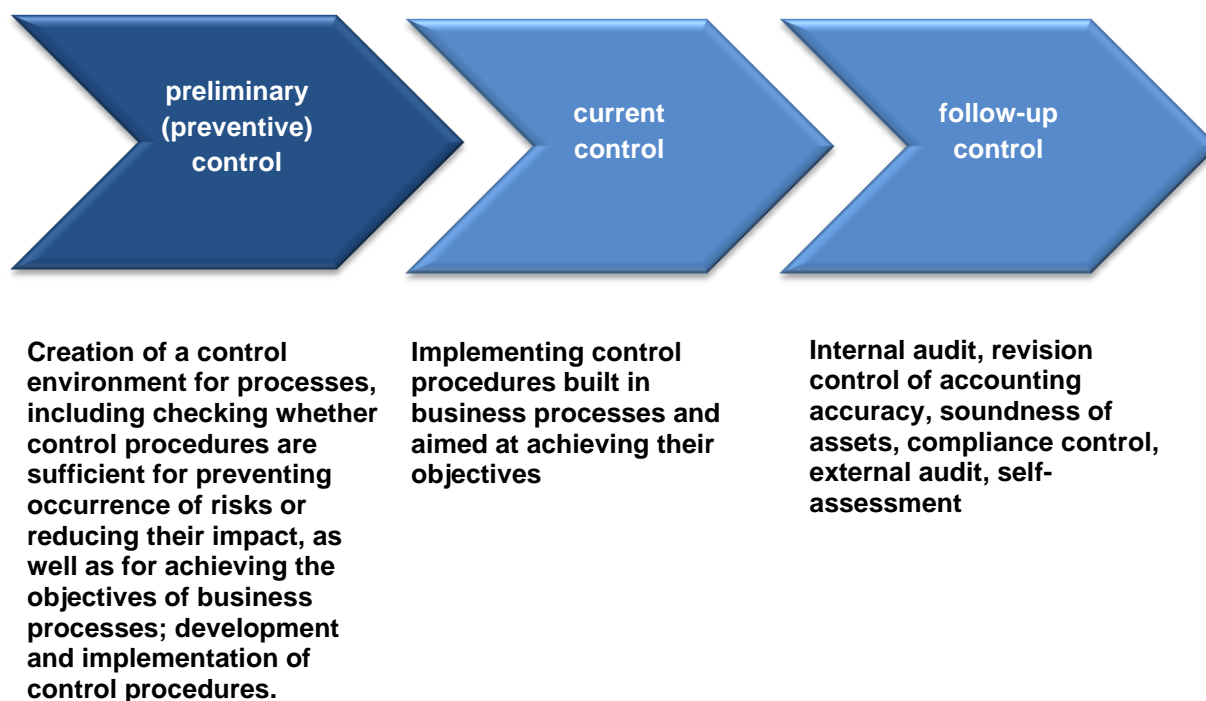
6.3. Internal Control and Risk Management System

6.3.1. Internal Control System

The Internal Control System (hereinafter, ICS) of the Company is incorporated in the Corporate Governance System of the Company. It comprises all areas of the Company's activities and has procedures for constant control over all processes (areas of the Company's activities) at all management levels, which are aimed at ensuring reasonable guarantees of goal achievement in the following areas:

- efficiency and performance of the Company and soundness of its assets;
- observance of the legislative requirements applied to the Company and the Company's local regulations, including in the course of economic operations and accounting;
- accuracy and timeliness of accounting (financial) statements and other types statements.

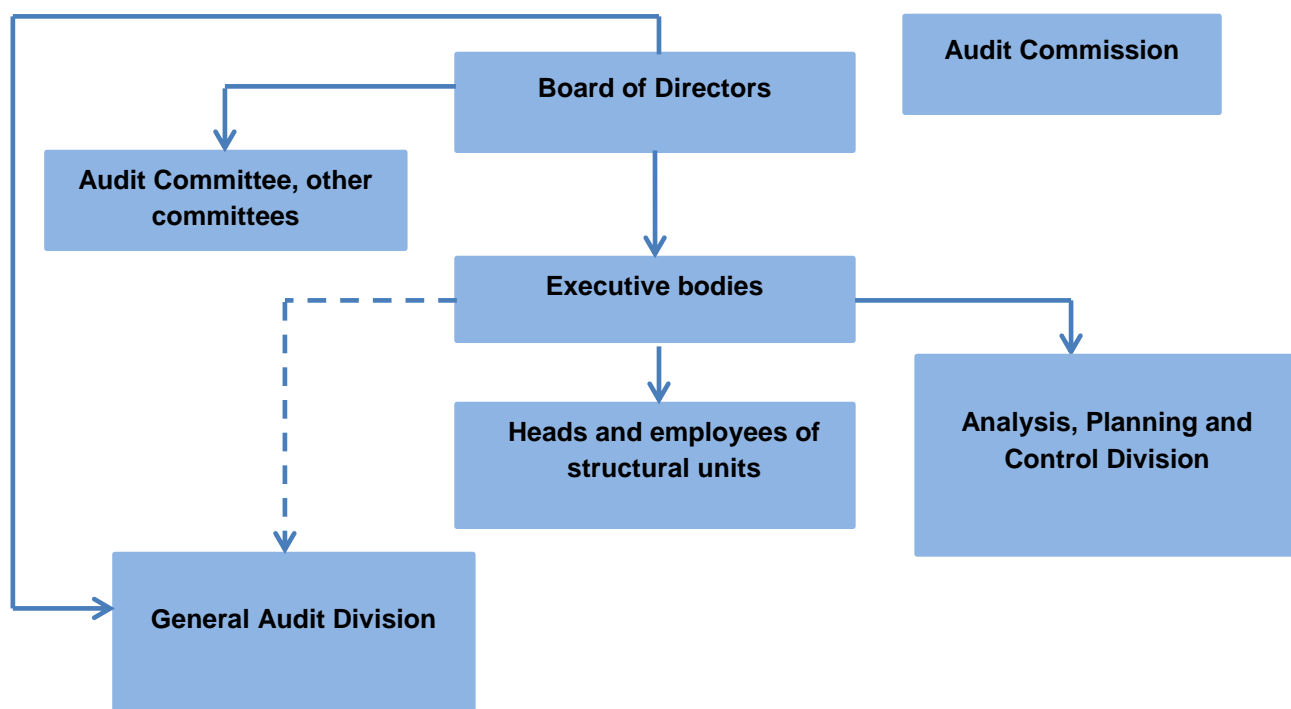
The ICS is being improved at all management levels of the Company in the following areas:



In order to implement the Strategy for Developing and Improving the Internal Control System of PJSC Russian Grids and subsidiary and dependent companies of PJSC Russian Grids approved by the resolution of the Board of Directors of PJSC Russian Grids as of February 10, 2014 (Minutes No. 143), by the resolution of the Board of Directors as of August 25, 2014 (Minutes No. 164 as of August 27, 2014), the Company approved the Internal Control Policy of PJSC IDGC of Center and Volga Region (new version). The Internal Control Policy specifies the objectives, functioning principles and elements of the Company's ICS, the primary functions and responsibilities of the ICS participants, as well as the procedure for assessment of performance of the ICS.

Besides, the Company has the following internal documents regarding the issues related to the ICS:

1. Internal Audit Policy of PJSC IDGC of Center and Volga Region (Minutes of the meeting of the Board of Directors dated August 27, 2014 No. 164);
2. Risk Management Policy of PJSC IDGC of Center and Volga Region (new version) (Minutes of the meeting of the Board of Directors dated August 27, 2014 No. 164);
3. Rules for interaction with national supervisory authorities and logging checks in the process of state supervision (order No. 85 dated February 12, 2015);
4. Rules for organizing the activity of audit commissions of subsidiary and dependent companies of PJSC Russian Grids (adopted in accordance with order No. 195 dated April 8, 2015);
5. "Operational Risk Certificate" (form UR-1); instructions on how to use and fill in the "Operational Risk Certificate"; methods for assessing operational risks of the Russian Grids group of companies; methodological recommendations for using operational risk assessment methods; the "Operational Risk Certificate" (form UR-1), the range of probability scale, the consequences scale and the risk significance scales (adopted in accordance with Order No. 488 as of August 14, 2015);
6. Instructions on forming and using the Uniform Classification of Violations and Drawbacks of PJSC IDGC of Center and Volga Region (Order No. 394 as of July 14, 2015);
7. Instructions on planning and implementing risk management measures of PJSC IDGC of Center and Volga Region (Order No. 705 as of December 17, 2015).



Functions of ICS participants

Table.

Name of participant	Key functions in the ICS
Audit Commission	<ul style="list-style-type: none"> • exercises control over financial and economic activities of the Company; based on its results, it prepares proposals/recommendations for improvement of the ICS; • carries out independent assessment of accuracy of the data

	<p>contained in the Company's Annual Report and the annual accounting statements of the Company</p>
Board of Directors	<ul style="list-style-type: none"> • determines principles and approaches to the ICS organization, as well as the strategy for developing and improving the Company's ICS; • exercises control over internal audit and organizes relevant activities; • exercises control over the activities of the Company's executive bodies in the key (priority) areas
Audit Committee of the Board of Directors	<ul style="list-style-type: none"> • carries out preliminary consideration (prior to the approval by the Board of Directors) of the Company's internal documents determining the organization and strategy for developing and improving the Company's ICS; • carries out preliminary consideration (prior to consideration by the Board of Directors) of the results of assessment of the ICS efficiency based on the report of the internal auditor on the ICS efficiency, as well as reports on the results of external independent assessment of the ICS; it also prepares proposals/recommendations for improvement of the ICS; • carries out preliminary consideration (prior to consideration by the Board of Directors) of the issues related to organization of internal audit and its results; • supervises the reliability and efficiency of the ICS in terms of considering the following issues: ensuring accuracy of accounting (financial) statements of the Company; supervising the process of selection of an external auditor and external audit; ensuring compliance with regulatory requirements; analysis and assessment of compliance with the Internal Control Policy.
Other committees of the Board of Directors	<ul style="list-style-type: none"> • supervise achievement of the established financial and operating results, compliance with applicable laws, rules and procedures stipulated in local regulatory documents, and accuracy and timeliness of the Company's statements (within their competence determined by the Board of Directors).
General Director, Management Board of the Company	<ul style="list-style-type: none"> • ensure creation and daily functioning of the effective and reliable ICS in the Company.
Heads of units and structural units	<ul style="list-style-type: none"> • arrange an effective control environment of supervised processes (activities); bear responsibility for effective achievement of the operating objectives of supervised processes (activities) and for execution of control procedures.
Employees of structural units of the Company performing control procedures as part of their professional duties	<ul style="list-style-type: none"> • perform control procedures within the ICS functions according to their job description and the established regulating documents • ensure prompt informing of immediate superiors when execution of control procedures becomes impossible for any reasons, and/or if it is necessary to change the design of control procedures due to changes in internal and/or external operating conditions of the Company; they also ensure development and submission of proposals for introduction of control procedures in relevant areas of activities for consideration by the management.
Analysis, Planning and Control Division of the Internal Audit and Control	<ul style="list-style-type: none"> • develops and ensures implementation of the framework and methodological documents related to forming and improving the ICS; • coordinates the activity aimed at maintaining and monitoring the

Department	target status of the ICS; <ul style="list-style-type: none"> • prepares information on the ICS status for stakeholders
General Audit Division of the Internal Audit and Control Department	<ul style="list-style-type: none"> • develops recommendations for improving control procedures and certain components (elements) of internal control and the ICS, based on the results of internal audit; • carries out internal independent assessment of the ICS efficiency and produces recommendations for improving the efficiency and effectiveness of the ICS.

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

The Strategy for Developing and Improving the Internal Control System of PJSC Russian Grids and subsidiary and dependent Companies of PJSC Russian Grids, approved by the resolution of the Board of Directors of PJSC Russian Grids as of February 10, 2014 (Minutes No. 143) (hereinafter, the Strategy for Developing the ICS), distinguishes between six maturity levels of the Internal Control System (from 1 ("Zero") to 6 ("High")).

In the reporting year the Company implemented the following key measures aimed at improvement of the ICS:

1) use of uniform methods in the sphere of internal audit and internal control; updating internal regulatory documents regulating the Company's ICS in a timely manner;

2) taking measures in accordance with the Company's Order No. 165 as of March 25, 2015 "On Implementing Measures for Developing and Improving the Internal Control and Risk Management System";

3) improvement of the Internal Control System for accounting, tax accounting and preparation of accounting (financial) statements in accordance with the Company's Order No. 344 as of June 17, 2015 "On Improvement of the Internal Control System for Accounting, Tax Accounting and Preparation of Accounting (Financial) Statements of PJSC IDGC of Center and Volga Region" and the Company's Decree No. 92 as of August 7, 2015 "On Approval of Documentation Prepared during Phased Improvement of the ICS for Accounting, Tax Accounting and Preparation of Accounting (Financial) Statements";

4) integration of the business planning process and the risk management process: in order to assess the impact of operational risks on achieving the targets of the Company's business plan, identification of risks affecting the achievement of the key targets of the Company's business plan was carried out, and measures for managing them were developed;

5) determining the acceptable level of risk for the Company (risk appetite): pursuant to the Company's Order No. 488 as of August 14, 2015, the range of probability scale, the consequences scale and the risk significance scales approved by the Decree of PJSC Russian Grids No. 381r as of July 30, 2015 were adopted. In accordance with the Operational Risk Assessment Methods of the Russian Grids group of companies, the Company determines its risk tolerance (risk appetite) by establishing the risk significance scale, ranging risks by their significance and using different methods for managing them;

6) revising the existing risk assessment methods: in accordance with Order No. 488 as of August 14, 2015, the Company adopted the "Operational Risk Certificate" (form UR-1); instructions on how to use and fill in the "Operational Risk Certificate"; methods for assessing operational risks of the

Russian Grids group of companies; and methodological recommendations for using Operational Risk Assessment Methods, the form UR-1 "Operational Risk Certificate", the range of probability scale, the consequences scale and the risk significance scales;

7) approving the Instructions on Planning and Implementing Risk Management Measures of PJSC IDGC of Center and Volga Region (Order No. 705 as of December 17, 2015) and planned measures for managing key operational risks and risks to key business processes and other business processes of the Company for 2016 (Minutes No.59/429 of the meeting of the Management Board as of December 29, 2015).

Implementation of the mentioned measures enabled the Company to increase the maturity level of the ICS from "Moderate" to between "Moderate" and "Optimal" (this intermediate level has the characteristics of both Level 4 and Level 5).

The Company's internal auditor carried out independent assessment of the ICS efficiency; an external assessment was not carried out.

The issue of the ICS efficiency in 2015 was considered at the meeting of the Board of Directors on April 15, 2016 (Minutes No. 223 of April 18, 2016) with a prior discussion by the Audit Committee of the Board of Directors on March 29, 2016 (Minutes No. 7/69).

In order to continue the implementation of the Strategy for Developing the ICS in 2016, the following measures for improving the ICS have been planned:

- 1) updating internal documents regulating internal audit and the ICS of the Company in a timely manner;
- 2) using a risk-based approach when carrying out internal audit;
- 3) establishing the procedure for organizing and carrying out internal audit;
- 4) taking measures for automating internal audit;
- 5) providing training for the Company's employees in issues related to the Internal Control System.

The unit responsible for implementing the internal audit function in the Company is the Internal Audit and Control Department

Internal audit is functionally accountable to the Company's Board of Directors (the Audit Committee of the Board of Directors), which means that the Board of Directors ensures "control and organization of activity of the internal audit unit, including approval of a plan of internal audit activity, the report on performance of the plan of activities of internal audit and budget of the internal audit unit, approval of decisions on the appointment, termination, and also definition of remuneration of the head of the internal audit unit" (Article 15, Paragraph 15.1. Subparagraph 61 of the Company's Articles of Association).

Aims and principles of implementation, functions and powers of internal audit are set out in the Internal Audit Policy of PJSC IDGC of Center and Volga Region (new version) approved by the resolution of the Board of Directors as of August 25, 2014 (Minutes No. 164 dated August 27, 2014).

The Company approved the following documents regulating the internal audit function:

- 1) Regulations on the Internal Audit and Control Department approved on October 28, 2014
- 2) Rules for organizing the activity of audit commissions of subsidiary and dependent companies of PJSC Russian Grids (adopted in accordance with order No. 195 dated April 8, 2015);

3) The format and structure of the quarterly (annual) report of the Internal Audit and Control Department (Minutes No. 123/60 of the Audit Committee of the Company's Board of Directors as of April 15, 2015);

4) Instructions on forming and using the Uniform Classification of Violations and Drawbacks of PJSC IDGC of Center and Volga Region (Order No. 394 as of July 14, 2015).

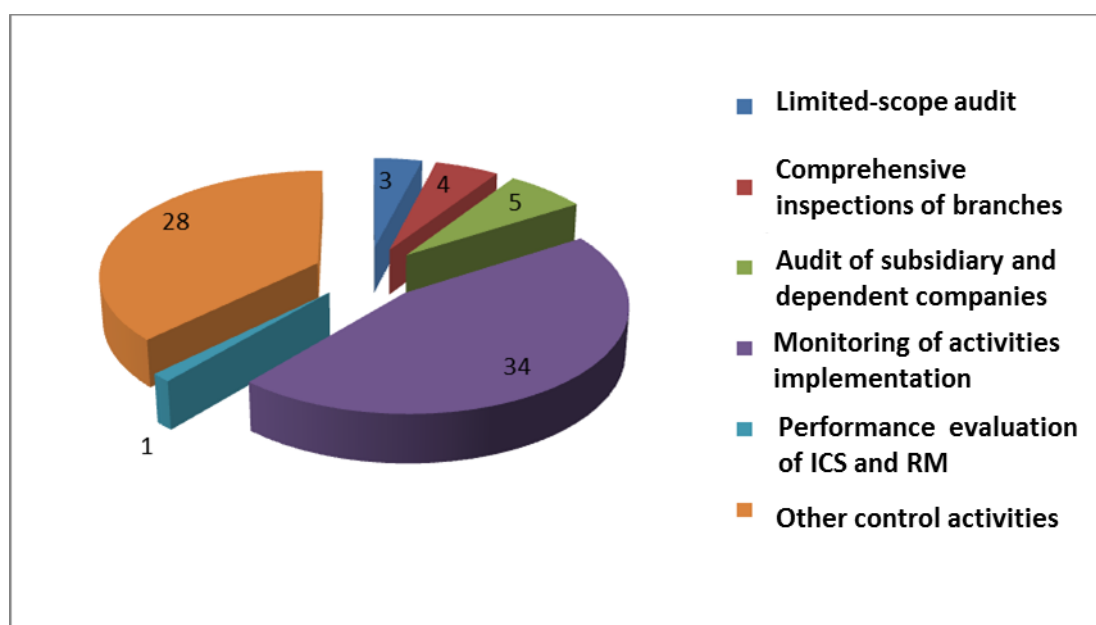
Key goals of internal audit include:

1) to provide the Board of Directors/the Audit Committee of the Board of Directors and executive bodies of the Company with independent and objective guarantees that the Company has appropriate internal control, risk management and corporate governance systems;

2) to assist the Company's management in forming effective internal control, risk management and corporate governance systems by providing consultations.

In 2015 the number of employees performing the internal audit function was 12.

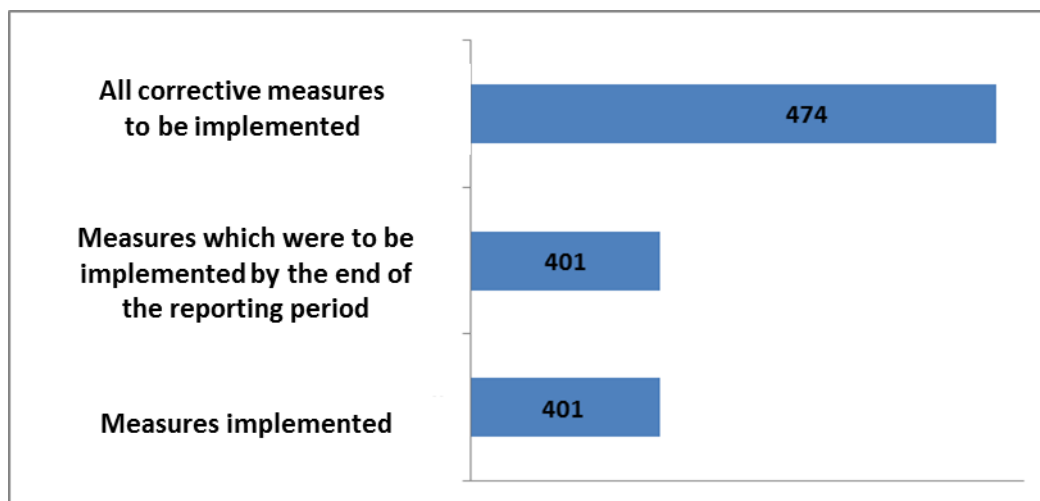
In 2015 the internal auditor implemented 75 control measures (follow-up control).



Results of control measures implemented as part of internal audit in 2015.

As a result of control measures implemented as part of internal audit in 2015, 474 corrective measures are to be taken in order to eliminate violations and drawbacks identified in the process of internal audit and to prevent them in the future.

Out of 401 measures, which were to be implemented by the end of 2015, 401 corrective measures were implemented.



Implementation of corrective measures is controlled by the Audit Committee of the Board of Directors during hearings: the Company's management presents periodic reports on implementing the planned corrective measures for eliminating drawbacks identified by the Company's Audit Commission, the internal auditor and external supervisory bodies.

6.3.2. Risk Management System (hereinafter, RMS)

The Company has a RMS, which is aimed at ensuring smooth and continuous operation of the Company and its development by timely identification, assessment and effective management of risks which threaten efficient economic activity of the Company, its reputation, employees' health, the environment and proprietary interests of shareholders and investors.

In order to develop the RMS of the Company, by the resolution of the Board of Directors as of August 25, 2014 (Minutes No. 164 as of August 27, 2014), the Risk Management Policy of PJSC IDGC of Center and Volga Region (new version) was approved.




RMS participants

Key participants in the risk management process include:


- Board of Directors;
- authorized committee of the Board of Directors;
- executive bodies (Management Board, General Director)
- risk owners;
- officers who implement control procedures and risk management measures;
- Risk Management Division;
- Internal Audit and Control Department


Key risk factors



Assessment of risk significance


Level of risk significance	
Critical	
Significant	
Moderate	


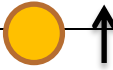
Table



No.	Risk name	Risk description	Measures for minimization of risk effects	Assessment of risk significance, dynamics
Industry risks				
1	Tariff risks	<ul style="list-style-type: none"> • Amendments made to effective regulations, introduction of which entails adjustments in obligations of the Company assumed earlier; • Revision of long-term parameters of regulation of the Company's branches established earlier; • Redistribution of required gross revenue by years of the long-term regulation period by a regulatory authority in order to suppress the growth of tariffs in the region; • Risks of shortage of tariff revenue due to decrease in actual power consumption compared to the value considered when approving the tariffs on power transmission services; • Risks of penalties due to failure to carry out the approved 	<ul style="list-style-type: none"> • Interaction with the regulatory bodies of the entities of the Russian Federation concerning economic justification of the Company's expenses; • Interaction with the Federal Antimonopoly Service to approve the parameters of the balance (power consumption, customer contract demand, technological consumption (losses)) in the Consolidated Forecast Balance of Electric Power (Capacity) Generation and Supply of the Region for the next year at the level of the Company's forecasts; • Interaction with the Federal Antimonopoly 	



		<p>investment program or to meet specified targets for reliability and quality of services rendered;</p> <ul style="list-style-type: none"> • Risks that operating expenses, standards of energy losses and costs of loan servicing will exceed the values considered in tariff and balance decisions 	<p>Service to make changes in the legislation of the Russian Federation regarding electric power pricing in retail markets;</p> <ul style="list-style-type: none"> • Carrying out the program for reduction in the Company's expenses on a permanent basis; fulfillment of obligations within investment programs and energy efficiency programs; ensuring achievement of the established targets for reliability and quality of services rendered. 	
2	Technological connection risks	<ul style="list-style-type: none"> • Risk of violation of antimonopoly laws by the Company when carrying out technological connection to power grids; • Risk of lost profit under a technological connection agreement which was not executed properly (including refusal to carry out technological connection); • Risk of shortage of funding for arrangements under technological connection agreements 	<ul style="list-style-type: none"> • Explanation of the Applicants' obligations under technological connection (TC) agreements and the Applicants' risks in case of default on obligations under such agreements (penal sanctions, rescheduling of technological connection); • Claim processing in terms of compensation for TC expenses from the Applicant; • Monitoring of applications, development of TC forecasts (including increase geography) in order to forecast the volume of applications and liabilities of the grid company for the next year; • Monitoring of compliance with the schedule for preparing the technological connection agreement and adherence to TS; • Monitoring of fulfillment of obligations under technological connection agreements; • Building up consumers' trust in the Company by means of a more coherent explanation of the entire technological connection process (posting information on the Company's official website, developing methods for informing applicants, monitoring the quality 	


			of operation of the Consumer Service Offices).	
3	Risk of shortage of income due to decrease in power consumption by certain large consumers compared to the target level (the risk of shortfalls in income).	<i>The risk consists in the divergence of the actual volume of power transmission services from the value stated in the business plan.</i>	<ul style="list-style-type: none"> Monitoring power consumption of the largest consumers in the regions on a monthly basis; Regularly checking metering systems and metering equipment readings; Preparing electricity balancing by substation based on technical energy metering, identifying sections of grids where normative losses are exceeded, carrying out raids to identify unmetered and non-contracted consumption; Conclusion of agreements on power transmission services and obligatory provision of information on planned power consumption in order to correctly include the volumes in the Company's business plan; Formulating and submitting proposals for electric energy balance in grids and the amount of losses to the state price (tariff) regulation authorities 	
4	Risks of increase in overdue and uncollectable receivables	Overdue receivables on power transmission services constitute the largest share in the structure of the Company's receivables and have the most considerable impact on its financial results.	<ul style="list-style-type: none"> Development of a schedule of measures for reducing receivables on power transmission services for each quarter and monitoring compliance with it. Dealing with nonpayments is a priority; Initiating consideration of issues related to nonpayments at meetings of regional commissions dedicated to monitoring the situation with payments for electricity and power transmission services. Based on the decisions of the commissions, minutes are 	


			<p>prepared; they include the scope of issues and the Company's position;</p> <ul style="list-style-type: none"> • Recovery of undisputed overdue debt and interest in the court of law. Introducing provisional measures of protection against nonpayers; • Identifying the property (assets) of a debtor and obtaining documents that confirm the existence, amount and location of these assets. Considering the possibility of dealing with contractors which systematically miss payment due dates involving the public prosecution office and the Ministry of Internal Affairs of the Russian Federation; • Limiting power consumption of consumers who did not pay for the provided services in accordance with the law; • Dealing with contractors which systematically miss payment due dates involving the Federal Antimonopoly Service; • Analysing the reasons for disagreement when approving the amount of supplied electricity; developing short-term plans of measures for eliminating the causes of conflicts with consumers which, among other things, result in disagreement regarding the amount of supplied electricity 	
5	Risks of uncertainty regarding the maximum volume of power transmission services rendered	The risk is caused by the fact that several entities of the Russian Federation and municipalities lack economic development plans specifying changes in power consumption for certain periods. The mentioned circumstances make it more difficult to predict the amount of investments in the development of capacities in the medium and long term. This risk affects mainly the fulfillment of	<ul style="list-style-type: none"> • Cooperation with government agencies of the entities of the Russian Federation and local authorities in preparing plans for economic development of the regions in the medium and long term; • Protection of tariffs on power transmission considering the investment component 	



		obligations related to providing power transmission services.	aimed at developing the issuer's capacities taking into account the forecast for the region's economic development, in state regulatory authorities	
6	Risks connected with a possible change in the prices for components and services used by the Company in its operations, their impact on the Company's operations and fulfillment of obligations on securities	As the state carries out electricity tariff regulation, there is a risk related to the increase in prices for raw materials and services used by the Company, which will exceed the inflation rate considered when approving the tariffs.	<ul style="list-style-type: none"> Improving the operating efficiency of the Company by implementing programs aimed at reducing production costs; Centralizing procurement activities, concluding contracts based on the results of tenders on the terms which are most acceptable to the Company 	 
Country and regional risks				
7	Risks connected with the political and economic situation in the country and the region	<ul style="list-style-type: none"> The political situation in the Russian Federation is stable. The current macroeconomic situation in the Russian Federation is characterized by weakening of development dynamics due to aggravation of the geopolitical environment and continuing economic sanctions against Russia, which has resulted in the growth of borrowing costs, increased capital outflow, and the surge of inflation. Moreover, oil prices fell to the lowest level in the last six years, which makes the conditions for economic growth even worse. According to experts' estimates, the economic recession in Russia may continue in 2016. Deterioration of the social and economic situation in the country leads to a decline in manufacturing output and, therefore, to a decrease in power consumption, which may 	<ul style="list-style-type: none"> The Company has been implementing an action program aimed at increasing performance in an unstable economic situation, namely, reduction in the costs of operating activities, optimization of relations with contractors, optimization of contractual relations with consumers, dealing with receivables, and ensuring optimum tariff and balance decisions in the Company's regional footprint. With a view to ensuring stability of calculations, monetary transactions of PJSC IDGC of Center and Volga Region are made by highly reliable state-owned banks; to minimize the debt load, there are restrictions 	



		affect the Company's performance	<p>on the volume and interest rates of raised loans.</p> <ul style="list-style-type: none"> • With a view to optimizing the investment activities, investment programs are formed considering implementation of investment projects as a top priority and excluding the facilities with no financing provided. 	
8	Risks connected with geographical features of the country or the region, including increased danger of natural disasters and possible termination of transportation	<ul style="list-style-type: none"> • Potential losses related to unfavorable weather conditions • The regions in which the Company operates are characterized by a well-developed transport infrastructure and are not subject to risks related to termination of transportation due to remote location and/or inaccessibility 	<ul style="list-style-type: none"> • The Company implements a set of measures for preparing the power grid complex for the autumn and winter season; each branch of the Company is certified to be ready for the autumn and winter season. • The branches of PJSC IDGC of Center and Volga Region have long-term experience of successful prompt elimination of consequences of natural disasters affecting the technical means and infrastructure of power grids 	
Financial risks:				
9	Risks connected with the monetary policy of the Central Bank of the Russian Federation	<p>The monetary and credit policy of the Central Bank regulates the operations in the loan capital market. The Central Bank grants loans to commercial banks, and interest rates on these loans have an impact on the banks' capability to grant loans to enterprises. Agreements comprising the Company's loan portfolio provide for changes in interest rates on loans only in connection with changes in the refinancing rate of the Central Bank of the Russian Federation. Starting from January 1, 2016, the refinancing rate has been equal to the key interest rate of the Central Bank, which changes much faster than the refinancing rate. This makes an increase in the interest rates on contracts more probable.</p>	<ul style="list-style-type: none"> • The primary instrument used by the Central Bank for monetary regulation is a refinancing rate representing an efficient instrument of state influence on the loan capital market. • In 2015 the key interest rate introduced by the Central Bank as a new monetary policy tool decreased from an all-time high of 17% per annum to 11% per annum and remained at this level until the end of 2015, which indicated stabilization of the debt capital market by the end of 2015. • To satisfy the need for borrowings, the Company forms cash reserves for financing future needs and maintains the required 	



			<p>open limits of loan facilities.</p> <ul style="list-style-type: none"> The terms and conditions of loan agreements comprising the Company's loan portfolio provide for an increase in the interest rate in proportion to the increase in the refinancing rate (the key interest rate starting from January 1, 2016). The Company plans to continue to include this condition in the agreements concluded. 	
10	Risks connected with changes in exchange rates	Ruble depreciation increases the amount of liabilities in foreign currency and fuels inflation.	<ul style="list-style-type: none"> The financial position of the Company (its liquidity, sources of funding, performance, etc.) is not subject to currency risks, since the Company sells power transmission services in the domestic market of the Russian Federation, making settlement in rubles. The Company does not plan to conduct business on the external market. The Company has neither foreign currency liabilities nor liabilities with the amount linked to foreign currency. 	
11	Risks connected with changes in interest rates	The Company is a large borrower, since in the course of its activities it raises massive borrowings as a source of funding for the investment program and operating activities and for refinancing of outstanding debt to be repaid.	<p>The Company engages the largest banks of Russia to participate in tenders for raising loans. This allows the Company to:</p> <ul style="list-style-type: none"> avoid difficulties in fund raising to the extent required due to the appreciation in the value of borrowed funds in case of deterioration of the situation in the loan capital market; in case of deterioration of the situation on the financial market, mitigate the rapid growth of interest rates for obtained borrowings, since large Russian banks follow a more conservative policy in keeping steady interest rates; reduce interest rates on existing loan 	


			<p>agreements if there is a change for the better in the loan capital market conditions;</p> <ul style="list-style-type: none"> conclude loan agreements on raising loans which provide for changes in interest rates on loans only in connection with changes in the refinancing rate of the Central Bank of the Russian Federation (in proportion to the change). <p>As of the end of 2015, the increase in interest rates on the Company's existing loans was estimated to be highly probable, as the existing loan agreements provide for an increase in the interest rate in proportion to the growth of the refinancing rate/key interest rate of the Central Bank of the Russian Federation. In December 2015, the Bank of Russia Ordinance No. 3894-U, dated December 11, 2015, "On the Bank of Russia Refinancing Rate and the Bank of Russia Key Rate" came into effect. Pursuant to Paragraph 1 of the Ordinance, starting from January 1, 2016, the refinancing rate (amounting to 8.25% as of December 31, 2015) is equal to the key interest rate (11% per annum). This gives the Company's lending banks an opportunity to increase interest rates on the existing loan agreements in proportion to the growth of the refinancing rate.</p>	
12	Risks connected with inflation	<p>Negative impact of inflation on financial and economic activities of the Company can be connected with the following risks:</p> <ul style="list-style-type: none"> the risk connected with losses in the real value of receivables in case of substantial deferment or delay of payment; the risk of an increase in the cost of services provided by contractors entailing an increase in the Company's expenses; the risk of a considerable interest rate increase and, as a result, an increase in the cost of servicing the Company's debt. 	<p>In order to minimize the risks connected with inflation, the Company carries out continuous work aimed at their identification and assessment; implements a reasonable credit policy in accordance with the Regulation on Lending Policy approved by the Board of Directors of PJSC IDGC of Center and Volga Region; takes measures within the cost management program; and actively cooperates with executive authorities of the entities of the Russian Federation responsible for state tariff</p>	

			<p>regulation in order to set economically feasible tariffs.</p> <p>The current inflation rate does not have a significant impact on the Company's capability to make payments on the loan portfolio.</p> <p>In order to reduce risks related to deferred payments from the Company's debtors, in 2015 a non-recourse factoring plan was used for settlements with the Company's debtors; in this case a debtor pays for the services of the factoring company in full. In 2016 the Company plans to increase the number of debtors who will pay for the provided services using a factoring scheme.</p> <p>Moreover, if the Company has disagreements with counterparties which have caused litigation, it uses bank guarantees as a provisional measure of protection; this allows seizing the counterparties' bank accounts, which, in turn, promotes quicker dispute resolution, including out of court.</p>	
13	Legal risks	<ul style="list-style-type: none"> • Risks that may aggravate the Company's situation and even create the indications of bankruptcy; • Significant changes in the legislation of the Russian Federation and its application; • Breach of contractual obligations by counterparties 	<ul style="list-style-type: none"> • Minimization of legal consequences having a negative impact on the Company's activities. In case of such risks the Company will plan its financial and economic activities considering these risks. • Constant monitoring of changes in the Russian legislation, including explanations and comments concerning its application; • Constant monitoring of changes in the application of the Russian legislation in court practice. Legal disputes undergo preliminary legal examination; • Legal examination of transactions with counterparties 	

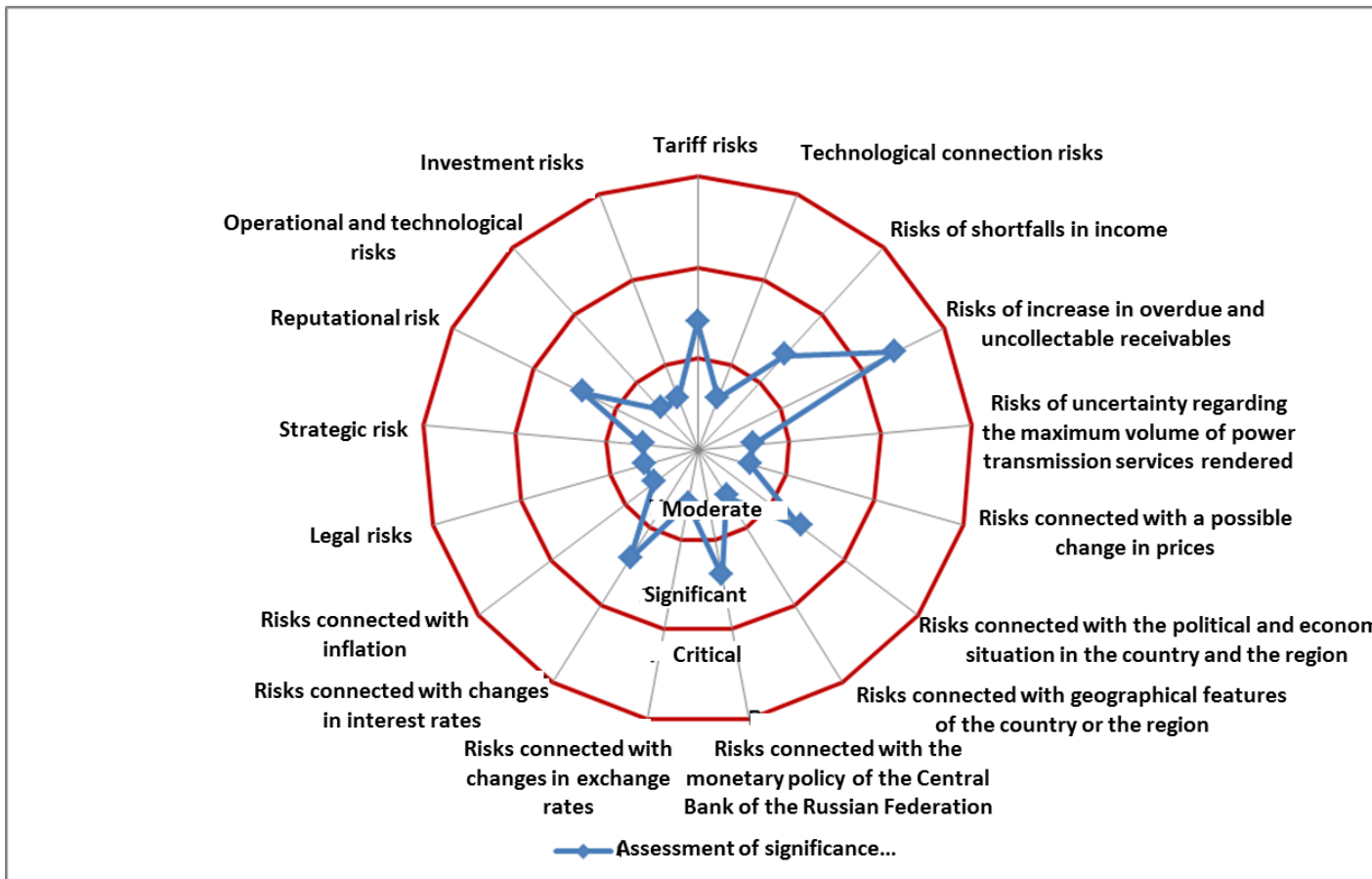
14	Strategic risk	A risk that the issuer will suffer losses as a result of mistakes (drawbacks) made when making decisions determining the issuer's strategy for operation and development (strategic management), which consist in a failure to consider or properly consider possible threats to the issuer's activities, the failure to determine promising areas of activity correctly and reasonably, a lack or insufficiency of necessary resources (financial, material and technical, and human resources) and organizational measures (management solutions) designed to ensure the achievement of the issuer's strategic goals.	<p>In order to manage this type of risk, the Company thoroughly develops management solutions, assesses opportunities and promising areas for development and identifies competitive advantages.</p> <p>In order to minimize the strategic risk, the issuer does the following:</p> <ul style="list-style-type: none"> • Delimitation of powers of management bodies in terms of decision-making; • Control over implementation of the decisions; • Development of business plans and control over their implementation; • Monitoring of changes in the Russian legislation and the existing regulatory documents; • Monitoring of resources (including financial, material and technical, and human resources) in order to achieve the issuer's strategic goals; • Continuous advanced training of employees 	
15	Reputational risk	Negative reports in the media which may tarnish the Company's image and business reputation	<p>The Company constantly informs the public of its activities and the activities of its branches; the Company has established communication with the media. The Company publishes full information subject to obligatory disclosure on its official website in a timely manner.</p> <p>If there are negative reports, measures are immediately taken to clarify the negative situation, eliminate its consequences and prevent reputational risks.</p>	
Risks connected with the Company's activities:				

16	Operational and technological risks:			
	System breaches connected with ensuring safe operation of production facilities and reliable power supply.	Shutdown of power grid equipment with or without its damage that results in interruption of power supply to consumers. Infliction of material and reputational damage as a result of interruption of power supply to consumers caused by technological failures of power grid facilities.	<ul style="list-style-type: none"> • Grid renovation, implementation of target programs to increase reliability and improve the technical condition of the grid. • Identification of causes and preconditions of fires for the development of organizational and technical measures aimed at preventing fires at power grid facilities; taking measures for elimination of factors causing failure to meet fire safety requirements at the facilities. • Staff relations: education and advanced training. • Community outreach and development of PR programs. • Constant and periodic control over fire safety and operation of power plants, equipment, buildings and structures. • Drafting and updating provisions on technological interaction with related power industry entities (RPE). 	
	Breach of legislation in terms of industrial and fire safety	Breach of legislation in terms of industrial and fire safety during maintenance of hazardous production facilities results in issue of orders by supervisory authorities, and imposition of administrative penalties in the form of fines.	<ul style="list-style-type: none"> • Training and certification of workers who operate hazardous production facilities in terms of industrial safety. • Control over planning of costs of ensuring safe operation of hazardous production facilities. • Constant and periodic control over fire safety and operation of power plants, equipment, buildings and structures. • Identification of causes and preconditions of fires for the development of organizational and technical measures aimed at preventing fires at power grid facilities. 	

			<ul style="list-style-type: none"> • Taking measures to eliminate factors causing violation of fire safety requirements at the facilities. • Public liability insurance of a hazardous production facility owner against harm inflicted as a result of an accident at hazardous production facilities. • Implementation of programs for maintenance, repair, examination of hoisting mechanisms, and gas consumption equipment. 	
17	Investment risks:			
	Risk of failure to meet the key parameters of the investment program	Deviation of key parameters of the Development Investment Program from targets may result in possible to meet RAB parameters and will lead to changes in net profit and indicators characterizing power supply reliability.	<ul style="list-style-type: none"> • Organization of prompt correction of the Development Investment Program before its official approval during the year; • Control over observance of procurement deadlines and contract conclusion deadlines; • Weekly control over the progress of construction as part of implementation of the Development Investment Program. 	
	The risk that the cost of projects under the investment program will exceed the planned amount	<i>Increase in the cost of works during construction due to a change in the basis of design, requirements of supervisory bodies for technical and architectural solutions and the need to offset the increased cost of materials.</i>	<ul style="list-style-type: none"> • Greater responsibility for preparing and approving technical specifications, and for conducting internal expert review of project documentation; • Approval of Regulations on In-House Expert Review of Project (Design) Documentation on new construction, renovation and technical re-equipment of power grid facilities; • Monitoring of statutes in order to correct technical specifications in a timely manner; • Control over quality and completion of design and survey work in a timely manner; 	

			<ul style="list-style-type: none"> • Designer's supervision 	
	Increase in the volume of construction in progress	Increase in the volume of construction in progress (compared to targets)	<ul style="list-style-type: none"> • Amendments to federal statutes stipulating the deadlines for preparing documents of title for building plots and obtaining permissions for construction and renovation; • Control over the number of facilities commissioned under the annual investment program; • Approaching government agencies with a proposal to pass a federal statute which would simplify preparation of documents of title for building plots and obtaining permissions for construction and renovation, as well as commissioning of electrical grid facilities; • Control over the work of the legal department on settling the issues of land lease; • Control over fulfillment of obligations by contractors. 	

Assessment of risk significance



6.4. Anti-Corruption Policy and Corporate Compliance

PJSC IDGC of Center and Volga Region has been implementing measures to meet the requirements stipulated by anti-corruption legislation of the Russian Federation in compliance with organizational and regulatory documents approved by the Company from 2009 through 2015.

On January 15, 2015 the General Director of the Company issued Order No. 15 introducing the Anti-Corruption Policy of JSC Russian Grids and its subsidiary and dependent companies. The Policy enabled the Company to adopt a uniform approach to compliance with Article 13.3 of Federal Law No. 273-FZ "On Corruption Control" dated December 25, 2008; develop and implement a set of consistent and diversified measures aimed at prevention, exposure and elimination (minimization) of grounds for and roots of corruption; and build an anti-corruption conscience characterized by intolerance of the Company's employees, shareholders, the shareholder community, counterparties, board members and the Company's management for instances of corruption. The Anti-Corruption Policy is a single framework document containing a set of interrelated principles, procedures and specific measures aimed at preventing and combating corruption at PJSC IDGC of Center and Volga Region (hereinafter - the Company) and the subsidiary and dependent companies of PJSC IDGC of Center and Volga Region (hereinafter - subsidiary and dependent companies).

The Anti-Corruption Policy was developed to achieve the following objectives:

- meeting the requirements stipulated in Article 13.3 of Federal Law "On Corruption Control";
- exercising compliance control, including anti-corruption compliance control;

- creating an effective legal mechanism for preventing and combating corruption;
- creating an effective practical mechanism for implementing measures aimed at preventing and combating corruption (including approving a program of anti-corruption activities);
- improving the regulatory framework in the sphere of eliminating corruption and interaction with state authorities responsible for eradicating corruption;
- preventing corruption and other offences and ensuring responsibility for these actions;
- building a uniform understanding of the hard-line anti-corruption stance of PJSC IDGC of Center and Volga Region among the shareholders, partners, counterparties, board members, managers and employees of the Company;
- reducing the risk of the Company's involvement in corrupt practices;
- forming an anti-corruption corporate conscience.

In 2015, the Company implemented the Anti-Corruption Policy in line with its main objectives:

1. Appointment of units and employees responsible for prevention of corrupt practices and elimination of corruption.

The Company created a structural unit responsible for prevention of corrupt practices and elimination of corruption directly accountable to the General Director of PJSC IDGC of Center and Volga Region. The unit has the power to carry out anti-corruption activities, including those targeted at the Company's management.

2. Assessment of corruption risks.

The structure of the Company's operating risks includes a risk related to possible damage to the Company as a result of fraud or other (including corrupt) illegal practices of the Company's employees or third parties.

This risk is specified in the register of operating risks related to other business processes of PJSC IDGC of Center and Volga Region (approved by Order of the General Director No. 71 as of February 9, 2015). Results of risk assessment are updated on a quarterly basis and considered by the Management Board as part of the report of risk owners on operating risk management. The Company has been developing and implementing a set of risk management measures to prevent the possible impact of risks and reduce their consequences.

3. Identification and settlement of conflicts

Management of conflicts of interest is carried out with the participation of the Commission for Observance of Corporate Ethics and Settlement of Conflicts of Interests, which has a representative of the Department for Corporate and Anti-Corruption Compliance Procedures of PJSC Russian Grids as its member.

In the reporting period the Company carried out the following activities:

- organizing the collection, analysis and assessment of 4,005 conflict of interest statements submitted in 2014 as well as 696 declarations of property, income, expenses and ownership liabilities submitted by the managers of the Company and its subsidiary and dependent companies and their close relatives in 2014. The inspection detected no signs of affiliation, conflict of interest or other instances of abuse of power or authority by the above-mentioned parties;
- 745 candidates for employment were checked;
- as part of the Company's measures to identify conflict of interest and eliminate affiliation in production and economic activities, 867 decisions of tendering commissions were reviewed;

- the Commission for Observance of Corporate Ethics and Settlement of Conflicts of Interests held 6 meetings, discussing such issues as the Company's charity support; the results of declaration of the conflict of interests in 2014; and approval of an additional agreement to the contract for lease of real estate belonging to the Company as a related-party transaction. As a result of consideration of these issues, no risks of conflict of interest were detected;
- agreements to employment contracts of all employees of the Company on compliance with the requirements of the new version of the Anti-Corruption Policy were signed.

4. Development and introduction of standards and procedures aimed at ensuring professional integrity.

In the reporting period, in accordance with the established procedure, the Company developed and approved the following local organizational and regulatory documents:

- Order No. 121 of JSC IDGC of Center and Volga Region as of March 4, 2015 "On Approval of the Procedure for Acceptance, Processing and Settlement of Claims Concerning Possible Instances of Corruption Submitted by Applicants (Employees and Counterparties of JSC IDGC of Center and Volga Region as well as Other Individuals and Legal Entities)";
- Order No. 138 of JSC IDGC of Center and Volga Region as of March 16, 2015 "On Amending the Regulation R 01-007-2013 'Organization of Activities Directed at Declaration of Property, Income and Ownership Liabilities' of managers of JSC IDGC of Center and Volga Region";
- Provision P 01-032-2015 "On Settlement of Conflicts of Interest at JSC IDGC of Center and Volga Region" and Provision P 01-028-2015 "On the Commission of JSC IDGC of Center and Volga Region for Observance of Corporate Ethics and Settlement of Conflicts of Interests" with the inclusion of a representative of PJSC Russian Grids in the Commission, approved by Order of the General Director of the Company No. 142 "On Enacting the Regulatory Document" dated March 18, 2015;
- Provision P 01-081-2015 "On Communication of Information by Employees of PJSC IDGC of Center and Volga Region about Receipt of a Gift in Connection with Their Position or Duties, Delivery of the Gift and Assessment of Its Value, Sale (Redemption) of the Gift and Crediting of Funds from Its Sale" approved by Order of the General Director of the Company No. 459 "On Enacting the Regulatory Document" dated August 18, 2015;
- Provision P 01-047-2015 "On Contract Work at PJSC IDGC of Center and Volga Region" approved by Order of the General Director of the Company No. 506 "On Enacting the Regulatory Document" dated September 3, 2015;
- in order to adopt a uniform approach to compliance with Article 13.3 of Federal Law No. 273-FZ "On Corruption Control" dated December 25, 2008, subsidiary and dependent companies of PJSC IDGC of Center and Volga Region adopted the Anti-Corruption Policy as a framework document aimed at preventing and combating corruption.

5. Consideration and resolution of information on possible instances of corruption

The Company has adopted an open approach to combating corruption; it settles claims filed by the Company's employees, counterparties and other individuals or legal entities concerning instances of corruption, including those that involve the use of an interactive communication channel (a web-site or a hotline) as well as corrupt practices carried out by post or face to face. All complaints lodged with the Company that are related to corruption are recorded in the logbook of claims and complaints at the Department for Anti-Corruption Compliance Procedures at all times.

In the reporting period, there was 1 claim submitted by an employee of the Department for Legal Support of Business Activities of the Legal Support Division (hereinafter - DLS BA LSD) of the Ryazanenergo Branch concerning possible instances of corruption on the part of the head of DLS BA LSD of that branch during fulfillment of professional duties. However, the claim was withdrawn within a day. The inspection did not find proof of information related in the claim.

In addition, the Safety Unit of the Company reviewed claims filed by 38 legal entities and individuals and 22 electric power consumers concerning violations on the part of officers and employees of the branch during fulfillment of their duties. These violations were not related to corrupt practices. Following the checks, 4 people were dismissed and 3 employees were stripped of their bonuses.

6. Consultations and training of employees.

With a view to observing the norms of corporate ethics, meeting the standards of corporate conduct and building an anti-corruption corporate conscience, the Company carried out the following activities in the reporting period:

- arranging familiarization of personnel with the newly adopted Anti-Corruption Policy;
- publishing information in the 'Anti-Corruption Policy' section of the Company web-site about the Anti-Corruption Policy of JSC Russian Grids and subsidiary and dependent companies of JSC Russian Grids adopted by the Company and about activities carried out by the Company that show adherence of PJSC IDGC of Center and Volga Region to high ethical standards of transparent and fair business, improvement of corporate culture, following the best practices of corporate governance and maintenance of business reputation of a power grid industry enterprise at proper level;
- ensuring that Company employees sign agreements on compliance with the requirements stipulated in the Anti-Corruption Policy;
- the Company prepared an educational presentation on preventing and combating corruption at PJSC IDGC of Center and Volga Region and sent it out to the branches. The presentation contains explanations of and comments about: requirements set out by the legislation and stipulated in internal regulatory documents; the procedure for identification and settlement of conflicts of interest during fulfillment of professional duties; measures to be taken in cases of corruption risks (in particular, in cases of extortion by officers of municipal or state organizations); cooperation with law enforcement agencies; and responsibility for corrupt practices;
- conducting a survey of the Company employees (by questionnaire) focusing on corporate conduct, social responsibility, the state of corruption in the Company and the effectiveness of the current anti-corruption measures;
- holding individual consultations to advise employees on elimination of corruption;
- conducting introductory briefings on provisions of the Company's Anti-Corruption Policy and related documents with new employees.

7. Internal Control and audit

The Company conducted comprehensive audit of financial and economic operations of its branches and compliance of officers of the branches with requirements stipulated in organizational and regulatory documents of PJSC Russian Grids and PJSC IDGC of Center and Volga Region, including the audit of measures to combat corruption, works to disclose information about the chain of ownership of counterparties and inclusion of a section devoted to anti-corruption activities in the contracts (Orders of the Government of

the Russian Federation No. VP-P13-9308 dated December 28, 2011 and No. VP-P24-1269 dated March 5, 2012).

In the reporting period, with the participation of the Safety Unit, the Company conducted audit of 5 branches and inspections of operation of certain structural units. Following these checks, the heads of branches were presented with certificates of audit specifying identified shortcomings and listing recommendations on remedying them.

The Company regularly checks that the contracts concluded and additional agreements contain full and reliable information about the entire chain of ownership of the Company's counterparties, along with beneficiaries (including ultimate beneficiaries), and data on the composition of their executive bodies, which is uploaded onto the Automated System of Collection and Analysis of Information on Beneficiaries (AS CAIB).

8. Implementation of measures aimed at elimination and prevention of corruption in cooperation with partners and counterparties.

While exercising anti-corruption control over procurement activities, the Company adheres to requirements of the single anti-corruption standard. These requirements involve audit of procurement documentation and participants in procurement activities/counterparties with a view to assessing the level of their trustworthiness and integrity, settling conflicts of interest, and eliminating affiliation and other instances of abuse of power or authority.

In 2015, as part of interaction with counterparties, PJSC IDGC of Center and Volga Region carried out the following activities directed at preventing economic damage to the Company:

- amending the Provision of PJSC IDGC of Center and Volga Region "On Contract Work", which stipulates that each contract concluded by the Company must be approved by the Department for Anti-Corruption Compliance Procedures and contain an updated anti-corruption clause (Order No. 506 "On Enacting the Provision P 01-047-2015 'On Contract Work at PJSC IDGC of Center and Volga Region'" dated September 3, 2015);
- all contracts concluded by the Company in 2015 contained a standard anti-corruption clause;
- conducting an audit of 3,576 potential business partners and formulating a negative opinion in 181 cases;
- performing 453 checks of contract work and identifying 13 unreliable partners among the Company's counterparties.

9. Combating bribery of foreign public officials and officials of public international organizations

The Company takes measures against bribery of foreign public officials and officials of public international organizations in adherence to international standards, regulatory acts of the Russian Federation and Provision 12 of the Anti-Corruption Charter of Russian Business. With the aim of keeping a record of foreign public officials and officials of public international organizations, the Company prepared a memo on informing units responsible for countering corruption about interaction with such persons and sent it out to its structural units.

The Company cooperates with law enforcement agencies and assists them in identifying and investigating instances of corruption and other offences.

The Company refrains from sanctions against its employees who pass on information to law enforcement agencies about commitment or plans to commit corruption or other offences that has come to their knowledge as they were exercising their professional duties.

10. Cooperation with state bodies exercising control and supervisory functions.

The Company has a procedure for informing law enforcement agencies about instances of non-compliance with requirements for professional conduct while carrying out control and supervisory activities at PJSC IDGC of Center and Volga Region and its subsidiary and dependent companies. The Company also has an out-of-court appeal procedure.

The Company publicly undertakes to:

- inform relevant law enforcement agencies about instances of corruption or other offences that have come to the Company's knowledge;
- refrain from sanctions against its employees who pass on information to law enforcement agencies about commitment or plans to commit corruption or other offences that has come to their knowledge as they were exercising their professional duties;
- prevent undue interference of its employees in the activity of law enforcement agencies while the latter are carrying out anti-corruption activities;
- assist law enforcement agencies in identifying and investigating instances of corruption and take necessary measures to keep documents or information on corruption offences and pass them on to law enforcement agencies.

11. Participation in collective initiatives to combat and prevent corruption.

Not only does the Company take measures to combat and prevent corruption on its own, but it also actively participates in collective anti-corruption initiatives.

In the reporting period, PJSC IDGC of Center and Volga Region joined the Anti-Corruption Charter of Russian Business and was included in the Consolidated Register of Parties to the Anti-Corruption Charter of Russian Business. (Certificate No. 0202 dated April 8, 2015, issued by the Chamber of Commerce and Industry of the Nizhny Novgorod Region).

Company representatives took part in the Sixth Session of the Conference of the States Parties to the United Nations Convention against Corruption, organized by the Chamber of Commerce and Industry of the Russian Federation in cooperation with the United Nations Office on Drugs and Crime and the Institute of Legislation and Comparative Law under the Government of the Russian Federation. The event was held in November in Saint Petersburg along with the seminar on preventing and combating corruption organized by the Chamber of Commerce and Industry of the Nizhny Novgorod Region.

Glossary

Abbreviations

- **ERT**– Emergency Response Team
- **ALT** – automatic load transfer
- **ERW** – emergency recovery works
- **AEPFMS** – Automated Electric Power Fiscal Metering System
- **AR** – automatic reclosing
- **ER** – emergency reserve
- **ATS** – automatic telephone station
- **UFLS** – under-frequency load shedding
- **CB** – capacitor bank
- **VCB** –vacuum circuit breaker
- **GDP** – gross domestic product
- **OL** – overhead line
- **HV** – high voltage (voltage level of the power grid)
- **FOC** – fiber optic cable
- **FOCL** – fiber optic communication line
- **ITC** – internal technical control
- **VC** – videoconferencing
- **AGSM** – Annual General Shareholders Meeting
- **GOELRO** – State Commission on Electrification of Russia – a body established on February 21, 1920 with a view to developing a project on electrification of Russia after the Russian Revolution of 1917
- **GTS** – gas turbine station
- **POLR** – provider of last resort
- **MSDS** – main step-down substation
- **FL** – fuel and lubricants
- **HPP** – hydropower plant
- **SDPP** – thermal condensation power plant that produces only electric energy
- **SDC** – subsidiary and dependent companies
- **VHI** – voluntary health insurance
- **DP** – dispatch point
- **SEB** – Sole Executive Body
- **UNPG** – Unified National (all-Russian) Power Grid
- **HUI** – housing and utility infrastructure
- **CJSC** – Closed Joint Stock Company
- **EB** – Executive Body (administration)
- **IT** – Information Technology
- **ITT** – Information Technologies and Telecommunications
- **DIP** – Development Investment Program
- **SP** – shorting plug
- **CTSS** – complete transformer substation

- **CIMS** – Corporate Information Management System
- **KPIs** – Key Performance Indicators
- **OS** – outdoor switchgear
- **CTSS** – complete transformer substation
- **CSV** – command and staff vehicle
- **PTL** – power transmission line
- **MT** – mobile team
- **MOS** – mobile outdoor switchgear
- **MICEX** – Moscow Interbanking Currency Exchange
- **MMSS** – mobile modular substation
- **IDGC** – interregional distribution grid company
- **SMEs** – small and medium-sized enterprises
- **IFRS** – International Financial Reporting Standards
- **EMERCOM** – Ministry of the Russian Federation for Civil Defence, Emergencies and Elimination of Consequences of Natural Disasters
- **MPTL** – main power transmission lines
- **NINEO** – non-state independent non-commercial educational organization
- **NH** – nominee holder
- **VAT** – value added tax
- **RGR** – required gross revenue
- **R&D** – research and development
- **NEI** – non-state educational institution
- **RA** – residential area
- **NPP** – Non-Governmental Pension Provision
- **STD** – standard technical documents
- **JSC** – Joint Stock Company
- **PJSC** – Public Joint Stock Company
- **PJSC IDGC of Center and Volga Region** – Public Joint Stock Company Interregional Distribution Grid Company of Center and Volga Region
- **JSC RAO UES of Russia** – Russian Joint Stock Company of Energy and Electrification UES of Russia
- **JSC SO UES** – Open Joint Stock Company System Operator of the Unified Energy System
- **PJSC FGC UES** – Public Joint Stock Company Federal Grid Company of Unified Energy System
- **PJSC Russian Grids** – Public Joint Stock Company Russian Grids (up to April 4, 2013 JSC IDGC Holding – Open Joint Stock Company Interregional Distribution Grid Companies Holding)
- **LCSQ** – level of consumer service quality
- **EC** – emergency crew
- **WGC** – generating company of the wholesale energy market
- **PSRN** – primary state registration number
- **IS** – isolating switch
- **ODT** – Operative Dispatch Team
- **ODS** – Operative Dispatch Service
- **AWS** – autumn and winter season
- **OIC** – Operative Information Complex

- **JIC** – Joint Information Center
- **LLC** – Limited Liability Company
- **ORD** – organizational and regulatory documents
- **ODU** – open distribution unit
- **EOC** – Emergency Operations Center
- **OTPC** – Operative and Technological Process Control
- **BPD** – bird protection device
- **D&E** – design and exploration
- **LM** – last mile
- **PD** – production department
- **P.p** – percentage point
- **SS** – substation
- **SHC** – software and hardware complex
- **RPA** – relay protection and automatics
- **RPA EA** – relay protection, automatics and emergency automation
- **DDP** – District Dispatch Point
- **RDO** – Regional Dispatching Office
- **RSPS** – reserve sources of power supply
- **DP** – distributing point
- **RAS** – Russian Accounting Standards
- **DGC** – distribution grid company
- **RTS** – Russian trading system (stock exchange)
- **DTSS** – distribution transformer substation
- **RPG** – region of power grids
- **RCSD** – radiation and chemical survey devices
- **DPCE** – dispatch and process control equipment
- **IPG** – individual protective gear
- **SIW** – self-supporting insulated wire
- **MV1** – medium voltage of the first level (voltage level of the power grid)
- **MV2** – medium voltage of the second level (voltage level of the power grid)
- **SCDR ERW** – system of control over distributed resources for performance of emergency recovery works
- **TG** – turbo generator
- **TGC** – territorial generating company
- **TI** – technological interruption
- **MRE** – maintenance and repair of equipment
- **TSS** – transformer substation
- **TC** – technological connection
- **TRR** – technical re-equipment and renovation
- **V** – vehicle
- **TGO** – territorial grid organization
- **TS** – technical specifications
- **CHPP** – combined heat and power plant

- **T-3** – Transformer No. 3
- **CC** – charter capital
- **PFCU** – power-factor correction units
- **TC** – training center
- **FAS** – Federal Antimonopoly Service
- **FZ** – Federal Law
- **PF** – payroll fund
- **FCSM** – Federal Commission for the Securities Market (FCSM of Russia) – a federal executive body, which regulated the Russian securities market, implemented the state policy on developing the Russian securities market, supervised the operations of issuers and market participants and ensured information disclosure in the securities market from 1993 through 2004. As of March 13, 2004 the powers of FCSM of Russia were delegated to the Federal Financial Markets Service (FFMS of Russia). On September 1, 2013, FFMS was abolished in accordance with the Decree of the President of the Russian Federation No. 645 dated July 25, 2013.
- **SIF** – Social Insurance Fund
- **FTS** – Federal Tariff Service
- **FFMS** – Federal Financial Markets Service. On September 1, 2013 the powers of the Federal Financial Markets Service related to regulation, control and supervision of financial markets were delegated to the Central Bank of the Russian Federation (pursuant to Federal Law No. 251-FZ, dated 23 June 2013, "On Amending Certain Laws of the Russian Federation Due to the Delegation to the Central Bank of the Russian Federation of the Authority to Regulate, Control and Supervise Financial Markets").
- **CSO** – Consumer Service Office
- **GCC** – Grid Control Center
- **PEI** – private educational institution
- **SF6 CB** – SF6 circuit breaker
- **EBITDA** – financial indicator – earnings before interest, taxes, depreciation and amortization
- **EV** – (Enterprise Value) – financial indicator – the economic value of the company, which equals market capitalization plus total debt minus cash and cash equivalents.
- **IR** – (Investor Relations) – relations with shareholders and investors
- **MSCI Russia Small Cap Index** – an index of the MSCI Barra international analytical agency; companies with a market capitalization of \$0.2-1.5 billion are selected for the index. Selection is also based on the volume of shares traded on the established securities market, free float and existing restrictions on ownership for non-residents
- **RAB** – Regulatory Asset Base
- **ROE** – (Return On Equity) – financial indicator; it is calculated as the ratio of net income to average shareholders' equity
- **SAP** – a short name for an integrated automated control system developed by SAP AG; up until 2005, the full official name of the company was Systems, Applications and Products in Data Processing

Units of measurement

- **kV** kilovolt – a unit for measuring voltage
- **W, kW, MW** watt, kilowatt, megawatt – units for measuring active (real) power
- **kWh** kilowatt-hour – a unit for measuring real power
- **VA, kVA, MVA** voltampere, kilovoltampere, megavoltampere – units for measuring full electric capacity

- **Var, kVar, MVar** volt-ampere reactive, kilovolt-ampere reactive, megavolt-ampere reactive – units for measuring reactive capacity
- **Gcal** gigacalorie – a unit for measuring heat

Terms

- **Dividend** – a share of the Company's net profit allocated among shareholders.
- **Subsidiary and dependent companies** – legal entities in which the Company owns over 20% of voting shares, due to a major interest in their charter capital or under a concluded agreement, or whose decisions the Company may determine for other reasons.
- **Unified National (all-Russian) Energy Grid, UNEG** – a system of power grids and other power grid facilities owned by power industry entities as property or on other legal grounds set by federal laws, which ensures stable power supply to consumers, the functioning of the wholesale energy market, and parallel operation of the Russian energy system and the energy systems of foreign countries.
- **MICEX Index** – the composite stock price index weighted against market capitalization, which includes the 30 most liquid shares of Russian issuers listed on the MICEX Stock Exchange. The MICEX index is one of the major indicators of the Russian stock market, calculated from September 22, 1997 (with the base value of 100 points).
- **RTS Index** – a free-float stock index of the Russian wide stock market. It is calculated on the basis of 50 most liquid securities of the largest and most actively developing Russian companies, whose business is in the key sectors of the Russian economy represented on MICEX (before December 19, 2011 – on RTS). Calculated in USD.
- **RTS-2 Index** – a dollar-based index of tier-two Russian shares without restrictions on the number of instruments in the basket of securities. The list of shares in the basket is formed on the basis of liquidity and capitalization indicators. The list does not include the most liquid and capitalized shares or shares that demonstrate indicators insufficient for correctly determining the price.
- **RTS power index (RTSeu)** – a dollar-based index of power industry shares. Industry indicators are weighted against the market capitalization indices of the most liquid shares of the Russian issuers listed on MICEX (before December 19, 2011 – on RTS).
- **Capitalization** – market value of a company. Calculated as the share price multiplied by the number of shares.
- **Company** – PJSC IDGC of Center and Volga Region.
- **Compensation of reactive power** – stimulation of the balance of reactive power in the grid node to adjust the voltage. The same stimulation in distribution grids is exercised to lower the losses of energy.
- **Quotation list** – a number of securities listed for trading and presented as a list structure under separate sections.
- **Power transmission line** – an electric installation consisting of wires, cables, insulating elements and bearing structures designed to transmit electric power between two points of an energy system with possible intermediate take-off.
- **Interregional distribution grid company, IDGC** – a joint stock company established on a territorial basis
- **Regulatory Asset Base (RAB)** – a system of tariff formation based on long-term regulation of tariffs. The system is intended to attract major investments to the industry. The system is based on ensuring the return of the Company's funds invested in assets over a period which corresponds to the service life of the assets in order to obtain rated income. The rate of income determined by the state should correspond to the level of risks in grid companies and make the industry attractive for investors.

- **Productive supply** – the amount of power transmitted to end consumers connected to the grids of a power grid organization.
- **Consumer/customer/client** – a recipient of the results of the business process (products, services). A consumer may be internal, the one within the organization, who uses the results (output) of the preceding business process, and external, the one outside the organization, who uses or consumes the results (output) of the organization.
- **Distribution grid company, DGC** – a joint stock company established as a result of disintegration of power joint stock companies by type of activity on the basis of power grid facilities which are not part of the unified national (all-Russian) power grid.
- **Residents and non-residents of the Russian Federation** – tax residents are individuals actually staying in the Russian Federation for not less than 183 calendar days within 12 consecutive months. The period of time for which an individual is deemed to be in the Russian Federation shall not be interrupted by periods in which they depart from the Russian Federation for short-term (i.e. less than six months) treatment or education. (Clause 2, Article 207 of the Tax Code of the Russian Federation).
- **Technical specifications** – a technical document stipulating a full range of requirements for products, their manufacturing, control and acceptance.
- **Stock market** – a share of financial market covering the organized trading of securities through different stock exchanges and OTC market.
- **Net assets** – the value determined by way of deduction of a company's liabilities from its total assets.
- **Power industry** – a branch of the Russian economy which includes economic relations arising during production (including combined production of electric and heat energy) and transmission of energy, operative dispatch control, sale and consumption of energy using production facilities and other property articles (including those that form part of the Unified Energy System of Russia), which are owned by the entities of the power industry or other persons as property or on other legal grounds set by federal laws. The power industry is the basis for the functioning of the economy and sustainment of population.
- **Electric energy (power) system** – the electric part of the energy system and electric energy receivers united by the common process of production, transmission, distribution and consumption of power.

Reference Information

Full name	Public Joint Stock Company Interregional Distribution Grid Company of Center and Volga Region
Abbreviated name	PJSC IDGC of Center and Volga Region
Primary state registration number	1075260020043
State registration of the legal entity certificate number and date of issue	Series 52 No. 003273906 dated June 28, 2007
TIN/TRRN	TIN 5260200603 TRRN 526001001
Bank details	The Branch of Gazprombank (JSC) in Nizhny Novgorod Settlement account 40702810500010001930 RCBIC 042202764 Correspondent account 30101810700000000764
Location and postal address	603950, 33, Rozhdestvenskaya Street, Nizhny Novgorod, Russia
Russian region where the Company is registered	Nizhny Novgorod Region
E-mail	info@mrsk-cp.ru
Website	www.mrsk-cp.ru
General Director	Ushakov Evgeny Viktorovich Tel. (reception room): +7 (831) 431-83-59, Fax (reception room): +7 (831) 434-38-06
Shareholder and investor relations	IR Department e-mail: ir@mrsk-cp.ru Koltunov Vladimir Igorevich , Head of the Corporate Governance and Shareholder Relations Department Tel.: +7 (831) 431-83-43 E-mail: koltunov_vi@mrsk-cp.ru Kiseleva Natalia Gennadijevna , Head of the Investor and Shareholder Relations Division of the Corporate Governance and Shareholder Relations Department Tel.: +7 (831) 431-74-46 E-mail: kiseleva_ng@mrsk-cp.ru
Corporate secretary	Guseva Yulia Stanislavovna , Head of the Corporate Relations Division of the Corporate Governance and Shareholder Relations Department Tel.: +7 (831) 431 74 30

	E-mail: guseva_ys@mrsk-cp.ru
Press center	<p>Novikova Galina Vladimirovna, Head of the Public Relations Department</p> <p>Tel.: +7 (4842) 71-63-49</p> <p>E-mail: depsmi@mrsk-cp.ru</p> <p>Petrovskaya Lydmila Sergeevna, Head of the Press Center of the Public Relations Department</p> <p>Tel.: +7 (831) 431-74-48</p> <p>E-mail: petrovskaya_ls@mrsk-cp.ru</p>
Call center	8-800-100-33-00
Internet reception for clients	https://utp.mrsk-cp.ru/Pages/default.aspx

Information on branches

Vladimirenergo	600016,106, Bolshaya Nizhegorodskaya Street, Vladimir Tel.: +7 (4922) 21-57-61 Fax: +7 (4922) 21-55-65
Ivenergo	153000, 8/2, Krutitskaya Street, Ivanovo Tel.: +7 (4932) 38-63-71 Fax: +7 (4932) 33-99-17
Kalugaenergo	248009, 35 Grabtzevskoye Shosse, Kaluga Tel.: +7 (4842) 71-63-59 Fax: +7 (4842) 56-56-11
Kirovenergo	610000, 51, Spasskaya Street, Kirov Tel.: +7 (8332) 64-76-50 Fax: +7 (8332) 69-13-71
Marienergo	424006, 39a, Panfilova Street, Yoshkar-Ola Tel.: +7 (8362) 42-52-92 Fax: +7 (8362) 41-28-80
Nizhnovenergo	603950, 33, Rozhdestvenskaya Street, Nizhny Novgorod Tel.: +7 (831) 431-93-59 Fax: +7 (831) 431-93-81
Ryazanenergo	390013, 12, MOGES Street, Ryazan Tel.: +7 (4912) 20-43-50 Fax: +7 (4912) 20-44-30
Tulenergo	300012, 99, Timiryazeva Street, Tula Tel.: +7 (4872) 32-77-69 Fax: +7 (4872) 32-71-14
Udmurtenergo	426004, 30, Sovetskaya Street, Izhevsk Tel.:+7 (3412) 66-15-66 Fax: +7 (3412) 66-15-22

Information on the Auditor

Full name	Limited Liability Company RSM RUS
Abbreviated name	LLC RSM RUS
Primary state registration number	1027700257540
Location	119285, 4 Pudovkina Street, Moscow
Postal address	119285, 4 Pudovkina Street, Moscow
Telephone, fax number	+7 (495) 363-2848, +7 (495) 981-4121
Website	www.rsmrus.ru
Authorization to carry out activities	Pursuant to Federal Law No. 135-FZ dated July 1, 2008 licensing of auditing activities was terminated. Pursuant to Federal Law "On Auditing" the company is a member of the Self-Regulatory Organization of Auditors Non-Commercial Partnership "Russian

	Collegium of Auditors"
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Information on the Registrar

Full (abbreviated) name	Joint Stock Company Registrar Company Status (JSC Status)
Location	109544, bldg. 1, 32, Novorogozhskaya Street, Moscow
Tel.	+7 (495) 974-83-50, 974-83-45
Fax	+7 (495) 678-71-10
Website	http://rostatus.ru/
E-mail	office@rostatus.ru
Authorization to carry out activities	License No. 10-000-1-00304, issued by the Federal Financial Markets Service on March 12, 2004 to maintain the registry. The License is limitless
General Director	Nedelsky Mikhail Nikolaevich

Supplements to the Annual Report 2015

LLC RSM RUS
119285, 4 Pudovkina Str., Moscow
Tel.: +7 (495) 363-28-48
Fax: +7 (495) 981-41-21
E-mail: mail@rsmrus.ru
www.rsmrus.ru

**Auditor's Report
on Accounting Statements
for 2015**

To the Shareholders of PJSC IDGC of Center and Volga Region

Auditee:

Public Joint Stock Company Interregional Distribution Grid Company of Center and Volga Region (abbreviated name PJSC IDGC of Center and Volga Region).

Location: 603950, 33 Rozhdestvenskaya Str., Nizhny Novgorod, Russian Federation
Primary state registration number — 1075260020043.

Auditor:

Limited Liability Company RSM RUS.

Location: 119285, 4 Pudovkina Str. Moscow;

Tel.: +7 (495) 363-28-48; Fax: +7 (495) 981-41-21;

Primary state registration number — 1027700257540;

Limited Liability Company RSM RUS is a member of the Self-Regulatory Organization (SRO) of Auditors Non-Commercial Partnership "Audit Association Sodruzhestvo" (membership certificate No. 6938, primary registration number of entry: 11306030308), location: 119192, bldg. 4, 21 Michurinsky Prospekt, Moscow.

We have audited the attached accounting statements of PJSC IDGC of Center and Volga Region, which include the balance sheet as of December 31, 2015, the statement of financial performance, the statement of changes in equity and the statement of cash flows for the year 2015, notes to the balance sheet and to the statement of financial performance.

Auditee's responsibility for accounting statements

The management of PJSC IDGC of Center and Volga Region is responsible for the preparation and fair presentation of accounting statements in accordance with regulations for preparation of accounting statements adopted in the Russian Federation and for the system of internal control required for preparation of accounting statements that do not contain material misstatements owing to unethical practices or mistakes.

LLC RSM Rus is a member of the RSM network and operates as RSM. RSM is a trademark used by members of the RSM network. All members of the RSM network are independent accounting and consulting firms, each of them operating independently. RSM network per se does not form a separate legal entity in any jurisdiction.

Auditor's responsibility

Our responsibility is to express an opinion on the accounting statements based on our audit. We have conducted our audit in accordance with federal auditing standards. These standards require compliance with applicable ethical standards as well as planning and performing the audit in a way that allows to obtain reasonable assurance that the accounting statements are free of material misstatement.

Audit included auditing procedures aimed at obtaining audit evidence confirming the figures provided in the accounting statements and disclosed information contained therein. The choice of auditing procedures is subject to our judgment based on assessment of the risk of material misstatement, whether due to fraud or error. In making those risk assessments, we considered the system of internal control ensuring preparation and reliability of accounting statements, in order to choose appropriate auditing procedures, but not in order to express our opinion on the effectiveness of the internal control system.

Audit also included evaluation of the appropriateness of accounting policies used and reasonableness of estimated figures received by the executives of the auditee, as well as evaluation of the accounting statements presentation.

We believe that the obtained audit evidence is sufficient basis for expressing an opinion on reliability of the accounting statements.

Opinion

We believe that the accounting statements reflect reliably and in all material respects the financial position of PJSC IDGC of Center and Volga Region as of December 31, 2015, as well as the results of its financial and operational activities and cash flows for 2015 in accordance with regulations for preparation of accounting statements adopted in the Russian Federation.

N.A. Dantser, Chairman of the Board

Auditor's qualification certificate No. 05-000015 issued by the decision of the Self-Regulatory Organization of Auditors Non-Commercial Partnership "Russian Collegium of Auditors" dated November 15, 2011, minutes No. 24 for an unlimited period.

Primary registration number of entry in the Register of Auditors and Audit Organizations — 29605011847

N.N. Usanova, Head of Audit

Auditor's qualification certificate No. 05-000030 issued by the decision of the Self-Regulatory Organization of Auditors Non-Commercial Partnership "Russian Collegium of Auditors" dated November 30, 2011, minutes No. 25 for an unlimited period.

Primary registration number of entry in the Register of Auditors and Audit Organizations — 21005008593

**PJSC Interregional Distribution Grid Company of Center and Volga Region
Consolidated financial statements for the year ended 31 December 2015
and Auditors' report**

Translation of the original Russian version

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01.04.2016 г. № 001-2016

THIS IS THE TRANSLATION OF THE ORIGINAL DOCUMENT PREPARED IN RUSSIAN

**Auditor's Report
On the 2015 Consolidated Financial Statements**

To: the Shareholders of PJSC "IDGC of Center and Volga Region"

Audited entity:

Interregional Distribution Grid Company of Center and Volga Region, Public Joint Stock Company (abbreviated name - **PJSC IDGC of Center and Volga Region**);

Location: 33, Rozhdestvenskaya Street, Nizhniy Novgorod, 603950, the Russian Federation;

Primary state registration number – 1075260020043.

Auditor:

RSM RUS Ltd.

Location: 4, Pudovkina Str., Moscow, 119285;

Tel.: (495) 363-28-48; Fax: (495) 981-41-21;

Primary state registration number – 1027700257540;

RSM RUS Ltd. is a member of self-regulatory organization (SRO) Non-Profit Partnership "Auditor Association Sodruzhestvo" (Membership Certificate # 6938, ORNZ 11306030308 (number in the register of auditing organizations), location: 21, Michurinsky avenue, bldg. 4, Moscow, 119192.

We have audited the accompanying consolidated financial statements of PJSC IDGC of Center and Volga Region, which comprise consolidated statement of financial position as at 31 December 2015, consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity for the year ended 31 December 2015, notes to the consolidated financial statements.

Translation from the original Russian version

PJSC IDGC of Center and Volga Region
Consolidated statement of financial position as at 31 December 2015

(in thousands of Russian roubles, unless otherwise stated)

	Note	31 December 2015	31 December 2014
ASSETS			
Non-current assets			
Property, plant and equipment	5	60,006,125	58,437,584
Intangible assets	6	644,242	640,909
Available-for-sale financial assets	7	486,357	464,058
Other non-current assets	8	25,280	26,347
Total non-current assets		61,162,004	59,568,898
Current assets			
Inventories	12	1,649,063	1,463,675
Available-for-sale financial assets	7	10,000	1,954,592
Income tax receivable		533,356	614,745
Trade and other receivables	10	13,099,701	12,173,919
Prepayments	11	86,964	99,012
Cash and cash equivalents	9	2,230,432	2,300,653
Total current assets		17,609,516	18,606,596
Total assets		78,771,520	78,175,494
EQUITY AND LIABILITIES			
Share capital	13	11,269,782	11,269,782
Reserve for revaluation of available-for-sale financial assets		13,443	10,134
Retained earnings		23,454,115	20,959,457
Equity attributable to owners of the Company		34,737,340	32,239,373
Non-controlling interest		11,023	11,041
Total equity		34,748,363	32,250,414
Non-current liabilities			
Deferred tax liabilities	23	3,404,789	3,133,756
Employee benefits	14	3,969,563	3,105,679
Loans and borrowings	15	13,932,507	19,828,361
Trade and other payables	16	966,905	1,283,350
Total non-current liabilities		22,273,764	27,351,146
Current liabilities			
Loans and borrowings	15	10,862,189	7,017,841
Trade and other payables	16	9,110,034	10,044,930
Income tax payable		1,190	1,698
Current tax liabilities, excluding income tax payable	17	1,775,980	1,509,465
Total current liabilities		21,749,393	18,573,934
Total liabilities		44,023,157	45,925,080
Total equity and liabilities		78,771,520	78,175,494

These consolidated financial statements were approved by management on 01 April 2016 and were signed on its behalf by:

General Director
Ushakov E.V.



Chief Accountant
Rodionova I.U.

The consolidated statement of financial position is to be read in conjunction with the notes 1-30 to, and forming part of, the consolidated financial statements.

Translation from the original Russian version

PJSC IDGC of Center and Volga Region
Consolidated statement of profit or loss and other comprehensive income for the year ended
31 December 2015

(in thousands of Russian roubles, unless otherwise stated)

	Note	Year ended 31 December 2015	Year ended 31 December 2014
Revenue	18	69,217,283	69,773,619
Operating expenses	19	(62,861,008)	(69,237,030)
Other income	21	407,033	386,683
Operating profit		6,763,308	923,272
Finance income	22	483,787	400,020
Finance costs	22	(2,685,568)	(2,266,614)
Profit/(loss) before income tax		4,561,527	(943,322)
Income tax expense	23	(1,147,247)	(686,291)
Profit/(loss) for the year		3,414,280	(1,629,613)
Other comprehensive income/(loss)			
<i>Items that are or may be reclassified to profit or loss</i>			
Net change in fair value of available-for-sale financial assets		4,136	(4,900)
Related income tax	23	(827)	980
<i>Items that will never be reclassified to profit or loss</i>			
Remeasurement of defined benefit liabilities	14	(716,496)	78,099
Related income tax	23	143,299	(15,620)
Other comprehensive (loss)/income for the year, net of income tax		(569,888)	58,559
Total comprehensive income/(loss) for the year		2,844,392	(1,571,054)
Profit/(loss) attributable to:			
Shareholders of the Company		3,414,140	(1,630,855)
Non-controlling interests		140	1,242
Total comprehensive income/(loss) attributable to:			
Shareholders of the Company		2,844,252	(1,572,296)
Non-controlling interests		140	1,242
Earnings/(loss) per share			
Earnings/(loss) per share – basic and diluted (in Russian roubles)	13	0.0303	(0.0145)

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes 1-30 to, and forming part of, the consolidated financial statements.

Translation from the original Russian version

PJSC IDGC of Center and Volga Region
Consolidated statement of cash flows for the year ended 31 December 2015

(in thousands of Russian roubles, unless otherwise stated)

	Note	Year ended 31 December 2015	Year ended 31 December 2014
Cash flows from operating activities			
Profit/(loss) before income tax		4,561,527	(943,322)
<i>Adjustments for non-cash transactions:</i>			
Depreciation and amortisation	5, 6	5,689,106	5,985,576
Finance costs, net	22	2,202,338	1,866,594
Impairment loss on property, plant and equipment	5	(2,104,538)	3,268,748
Allowance for impairment of account receivables	19	1,447,036	1,004,578
Loss on disposal of property, plant and equipment		62,775	176,798
Accounts payable written-off		(52,654)	(21,780)
Compensation for losses		-	(76,010)
Other flows		(2,569)	(766)
Cash from operating activities before changes in working capital and reserves		11,803,021	11,260,416
<i>Working capital changes:</i>			
Change in trade and other receivables		(2,306,715)	(2,694,827)
Change in inventories		(143,017)	(54,601)
Change in trade and other payables		(1,299,919)	274,245
Change in prepayments		12,048	304,263
Change in taxes payable other than income tax		312,262	(76,894)
Change in employee benefits		(178,112)	(187,245)
Change in financial assets related to the employee benefit fund	14	5,364	44,567
Cash flows from operating activities before income tax and interest paid		8,204,932	8,869,924
Income tax paid		(698,608)	(958,017)
Interest paid		(2,364,966)	(2,040,273)
Net cash flows from operating activities		5,141,358	5,871,634
Investing activities			
Acquisition of property, plant and equipment and intangible assets		(5,247,601)	(8,259,122)
Disposal of subsidiaries, net of cash disposed of	26	-	11,906
Purchase of bank promissory notes		(10,000)	(2,199,938)
Proceeds from sale of property, plant and equipment		11,191	33,296
Interest received		459,429	295,693
Proceeds from disposal of promissory notes		1,954,592	316,358
Net cash flows used in investing activities		(2,832,389)	(9,801,807)
Financing activities			
Proceeds from loans and borrowings		2,145,935	4,534,495
Repayment of loans and borrowings		(4,182,369)	(971,769)
Dividends paid	13	(342,756)	(622,417)
Net cash flows used in financing activities		(2,379,190)	2,940,309
Net (decrease)/increase in cash and cash equivalents		(70,221)	(989,864)
Cash and cash equivalents at 1 January		2,300,653	3,290,517
Cash and cash equivalents at 31 December	9	2,230,432	2,300,653

The consolidated statement of cash flows is to be read in conjunction with the notes 1-30 to, and forming part of, the consolidated financial statements.

Translation from the original Russian version

PJSC IDGC of Center and Volga Region
Consolidated statement of changes in equity for the year ended 31 December 2015

(in thousands of Russian roubles, unless otherwise stated)

	Attributable to equity holders of the Group					Non-controlling interests	Total equity
	Share capital	Available-for-sale financial assets revaluation reserve	Retained earnings	Total			
Balance at 1 January 2014	11,269,782	14,054	23,162,322	34,446,158	9,799	34,455,957	
(Loss)/profit for the year	–	–	(1,630,855)	(1,630,855)	1,242	(1,629,613)	
Other comprehensive (loss)/income	–	(3,920)	62,479	58,559	–	58,559	
Total comprehensive (loss)/income for the year	–	(3,920)	(1,568,376)	(1,572,296)	1,242	(1,571,054)	
Dividends to shareholders (Note 13)	–	–	(634,489)	(634,489)	–	(634,489)	
Total transactions with owners	–	–	(634,489)	(634,489)	–	(634,489)	
Balance at 31 December 2014	11,269,782	10,134	20,959,457	32,239,373	11,041	32,250,414	
Balance at 1 January 2015	11,269,782	10,134	20,959,457	32,239,373	11,041	32,250,414	
Profit for the year	–	–	3,414,140	3,414,140	140	3,414,280	
Other comprehensive income/(loss)	–	3,309	(573,197)	(569,888)	–	(569,888)	
Total comprehensive income for the year	–	3,309	2,840,943	2,844,252	140	2,844,392	
Dividends to shareholders (Note 13)	–	–	(346,285)	(346,285)	(158)	(346,443)	
Total transactions with owners	–	–	(346,285)	(346,285)	(158)	(346,443)	
Balance at 31 December 2015	11,269,782	13,443	23,454,115	34,737,340	11,023	34,748,363	

Translation from the original Russian version

PJSC IDGC of Center and Volga Region

Notes to the consolidated financial statements for the year ended 31 December 2015

(in thousands of Russian roubles, unless otherwise stated)

1 Background

(a) The Group and its operations

Due to changes in the Civil Code of the Russian Federation the new brand title of the company's organizational and legal form was approved At the Annual General Shareholders' Meeting held on 16 June 2015. Open Joint-Stock Company "Interregional Distribution Grid Company of Center and Volga Region" was changed to Public Open Joint Stock Company "Interregional Distribution Grid Company of Center and Volga Region".

Public Joint-Stock Company Interregional Distribution Grid Company of Center and Volga Region (hereafter, the "Company" or PJSC IDGC of Center and Volga Region) and its subsidiaries (together referred to as the "Group") comprise Russian open joint stock companies as defined in the Civil Code of the Russian Federation. The Company was set up on 28 June 2007 based on Resolution no. 193p of 22 June 2007 and pursuant to the Board of Directors' decision (board of directors' meeting minutes no. 250 of 27 April 2007) of the Russian Open Joint-Stock Company RAO "United Energy Systems of Russia" (hereafter, "RAO UES").

The Company's registered and actual office is Rozhdestvenskaya Street 33, Nizhniy Novgorod, 603950, Russian Federation.

The Group's principal activity is distribution of electricity and connection of customers to the electricity grid. From February 2013, pursuant to orders of the Russian Ministry of Energy, "On the transfer of functions of electricity retailer" the Group undertook the function of electricity retailer in Ivanovo and Tula regions. Hence, in addition to performing electricity distribution services, some divisions of the Group commenced purchasing electricity on the wholesale market and selling it on the retail market. The function of the electricity retailer was transferred to the Group for the period determined in the above mentioned order, but for not more than 12 months. From 1 January 2014, pursuant to order of the Russian Ministry of Energy no.911 of 23 December 2013 the Company ceased to perform the functions of guaranteeing supplier of electricity in Tula Region. Pursuant to order of the Russian Ministry of Energy no. 251 of 8 May 2014 "On the recognition of the winner of the applicant for the status of guaranteeing supplier (the "GS") in the Ivanovo Region" the winner is the company "ESC Garant". From 1 July 2014, pursuant to order of the Russian Ministry of Energy no.357 of 20 June 2014 the Group ceased to perform the functions of guaranteeing supplier of electricity in Ivanovo Region.

The Group consists of the Company and its subsidiaries:

Name	31 December 2015	31 December 2014
	% ownership	% ownership
OJSC "Motor Vehicle Plant"	100.00	100.00
OJSC "Berendeyevskoye"	100.00	100.00
CJSC "Svet"	100.00	100.00
OJSC "Energetik Sanatorium-Preventorium"	100.00	100.00
OJSC "Interregional Energoservice Company "Energoefficiency technologies"	51.00	51.00

As at 31 December 2015 the Russian Federation owned 86.32% of the voting ordinary shares and 7.01% of the preference shares of PJSC Russian Grids (formerly OJSC Russian Grids) (31 December 2014: 86.32% of the voting ordinary shares and 7.01% of the preference shares), which in turn owned 50.40% of the voting ordinary shares of the Company.

The Government of the Russian Federation influences the Group's activities through setting electricity distribution tariffs.

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Notes to the consolidated financial statements for the year ended 31 December 2015

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1 Background (continued)

(b) Russian business environment

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

In 2014 - 2105, the Russian economy was negatively impacted by a significant drop in crude oil prices and a significant devaluation of the Russian rouble, as well as sanctions imposed on Russia by several countries. In December 2014, the rouble interest rates have increased significantly after the Central Bank of Russia raised its key rate to 17% has been reduced to 11% in 2015. The combination of the above resulted in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth, which could negatively affect the Group's future financial position, results of operations and business prospects. Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

2 Basis of preparation

(a) Statement of compliance

These consolidated financial statements (hereinafter, "Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

(b) Basis of preparation and measurement

The Financial Statements are prepared on the historical cost basis except that:

- ▶ Financial assets classified as available-for-sale are stated at fair value;
- ▶ Property, plant and equipment was revalued to determine deemed cost as part of the adoption of IFRS as at 1 January 2006.

(c) Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble ("RUB"), which is the Company's and its subsidiaries functional currency and the currency in which these Financial Statements are presented. All financial information presented in RUB has been rounded to the nearest thousand.

(d) Use of judgments, estimates and assumptions

The preparation of the Financial Statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following notes:

- ▶ Note 5 "Property, plant and equipment";
- ▶ Note 10 "Trade and other receivables";
- ▶ Note 29 "Fair values and risk management";
- ▶ Note 14 "Employee benefits".

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Notes to the consolidated financial statements for the year ended 31 December 2015

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2 Basis of preparation (continued)

(e) Changes in accounting policies

Except for the changes below, the Group has consistently applied the accounting policies set out in Note 3 to all periods presented in these consolidated financial statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2015.

The nature and effects of the changes are explained below.

(i) New and amended standards and interpretations

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application in 2015.

The nature and effects of the changes are explained below.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. These amendments are not relevant to the Group, since none of the entities within the Group have any defined benefit plans with contributions from employees or third parties.

Annual Improvements 2010-2012 Cycle

Amendment to IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions. The clarifications are consistent with how the Group has identified any performance and service conditions which are vesting conditions in previous periods. The amendments to (IFRS) 2 did not have any impact on the Group.

Amendment to IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9.

Following improvements are effective from 1 July 2014 and had no material impact on the Group:

IFRS 8 Operating Segments

The amendments are applied retrospectively for the annual periods beginning on or after 1 July 2014 and clarifies that:

- ▶ An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g. sales and gross margins) used to assess whether the segments are “similar”;
- ▶ The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The amendments to IFRS 8 had no significant impact on the Group’s financial statements.

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2 Basis of preparation (continued)

(e) Changes in accounting policies (continued)

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual Improvements 2011-2013 Cycle

Following improvements are effective from 1 July 2014:

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not IAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The Group is considering the effect of the above amendments to the Financial statements.

The above improvements are not expected to have a material impact on the Group.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the Financial Statements, and have been applied consistently by Group entities, except as explained in Note 2(e).

(a) Basis of consolidation

(i) Business combination including entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are revised. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added

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(in thousands of Russian roubles, unless otherwise stated)

3 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

to the same components within Group equity except that any share capital of the acquired entities is recognised as part of share premium. Any cash paid for the acquisition is recognised directly in equity.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(iii) Interest in equity-accounted investee

Interest in equity-accounted investee includes interest in associates and joint ventures, in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Interests in associates are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs. The Consolidated Financial Statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gain and loss arising from intra-group transactions, are eliminated in preparing these Financial Statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising in retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

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(in thousands of Russian roubles, unless otherwise stated)

3 Significant accounting policies (continued)

(c) Financial instruments

The Group classifies non-derivative financial assets into the following categories: financial assets, recognised at fair value through profit and loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

(i) Non-derivative financial assets and financial liabilities – recognition and derecognition

The Group initially recognises loans and receivables and debt securities issued on the date that they are originated. All other financial assets and financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Loans and receivables

Loans and receivables are a category of financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses (see Note 3(h)(i)).

Loans and receivables category comprise the following classes of financial assets: trade and other receivables as presented in Note 10 and cash and cash equivalents as presented in Note 9.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and highly liquid investments with maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see Note 3(h)(i)) and foreign currency differences on available-for-sale instruments (see Note 3(b)), are recognised in other comprehensive income and presented within equity in the available-for-sale investment revaluation reserve. When an investment is derecognised, the cumulative gain or loss in equity is reclassified to profit or loss. Unquoted equity instruments whose fair value cannot reliably be measured are carried at cost.

Available-for-sale financial assets comprise equity securities and debt securities.

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Notes to the consolidated financial statements for the year ended 31 December 2015

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3 Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Non-derivative financial liabilities – measurement

The Group classifies non-derivative financial liabilities into other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. The deemed cost of property, plant and equipment at 1 January 2006, the date of transition to IFRSs, was determined by reference to its fair value at that date.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing of assets and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within “other income” or “other expenses” in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Depreciation commences on the month following the acquisition or, in respect of internally constructed assets, from the month following the month an assets is completed and ready for use. Land is not depreciated. Depreciation is based on the cost of an asset less its estimated residual value.

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3 Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

The estimated useful lives for the current and comparative periods are as follows:

Type of property, plant and equipment	Useful lives (in years)
Buildings	7-50
Transmission networks	5-40
Equipment for electricity transformation	5-40
Other	1-50

(e) Intangible assets

Intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are 3 to 10 years.

(f) Lease

(i) Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. This will be the case if the fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset.

At inception or upon reassessment of an arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

(ii) Leased assets

Assets held by the Group under leases that transfer to the Group substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Group's statement of financial position.

(iii) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

PJSC IDGC of Center and Volga Region

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3 Significant accounting policies (continued)

(f) Lease (continued)

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(g) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventory is determined on the weighted average cost method and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

(i) Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss, including an interest in an equity-accounted investee, is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include:

- ▶ default or delinquency by a debtor;
- ▶ restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- ▶ indications that a debtor or issuer will enter bankruptcy;
- ▶ adverse changes in the payment status of borrowers or issuers in the Group;
- ▶ economic conditions that correlate with defaults;
- ▶ the disappearance of an active market for a security; or
- ▶ observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets measured at amortised cost

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

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Notes to the consolidated financial statements for the year ended 31 December 2015

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3 Significant accounting policies (continued)

(i) Impairment (continued)

An impairment loss is calculated as the difference between an asset's carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease and the decrease can be related objectively to an event occurring after the impairment was recognised, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Equity-accounted investees

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets, cash generating unit ("CGU").

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

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Notes to the consolidated financial statements for the year ended 31 December 2015

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3 Significant accounting policies (continued)

(i) Impairment (continued)

In respect of other assets excluding goodwill, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans, including Russia's State pension fund, are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and

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3 Significant accounting policies (continued)

(j) Employee benefits (continued)

that are denominated in the same currency in which benefits are expected to be paid. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in the profit or loss in the period in which they arise.

(iv) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(k) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Treasury shares

When share capital recognised as equity is repurchased by the Group, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own shares. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in additional paid-in capital.

(l) Revenue

(i) Electricity distribution and sales of electricity

Revenue from distribution and sales of electricity is recognised in profit or loss based on an act of services rendered containing the physical volume of electricity distributed or sold. The act is prepared based on a monthly report of electricity consumption (prepared in physical volumes) for each customer. The tariffs for distribution and sales of electricity on regulated market are approved by the government agencies of the constituents of the Russian Federation in the sphere of the state energy tariff regulation within the range of cap and/or floor tariffs approved by the Federal Service on Tariffs.

(ii) Connection services

Revenue from connection services represents a non-refundable fee for connecting the customer to the electricity grid network. The terms, conditions and amounts of these fees are negotiated separately and are independent from fees generated by electricity distribution services.

Revenue for connection to the power network is recognised when electricity is activated and the customer is connected to the grid network.

(iii) Other services

Revenue from installation, repair and maintenance services and other sales is recognized when the services are provided or when the significant risks and rewards of ownership of the goods have passed to the buyer.

(m) Finance income and costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, fair value gains on financial assets at fair value

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3 Significant accounting policies (continued)

(m) Finance income and costs (continued)

through profit or loss and gains on the remeasurement to fair value of financial assets recognized at fair value through profit and loss and remeasurement of any pre-existing interest in an acquiree. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, losses on disposal of available-for-sale financial assets, dividends on preference shares classified as liabilities, fair value losses on financial instruments at fair value through profit or loss and impairment losses recognised on financial assets (other than trade receivables).

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(n) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- ▶ temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- ▶ temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future and the Group has control over then this assets will be sold and at wich amount; and
- ▶ taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(o) Dividends

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3 Significant accounting policies (continued)

Dividends are recognised as a liability and deducted from equity at the reporting date only when they are declared (approved by shareholders) before or on the reporting date. Dividends are disclosed in the notes to the financial statements when they are declared after the reporting date, but before the financial statements are authorised for issue.

(p) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(q) Earnings per share (EPS)

Basic EPS is calculated by dividing the profit or loss attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

(r) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Management Board to make decisions about resources to be allocated to the segment and assess its performance.

Segment results that are reported to the Management Board include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (the Group's headquarters), head office expenses, borrowings and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment.

Inter-segment pricing is determined on an arm's length basis.

(s) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and Interpretations are not yet effective as at 31 December 2015, and have not been applied in preparing these consolidated financial statements. The Group has not yet analysed the likely impact of the new Standards on its financial position and performance. The Group plans to adopt the following pronouncements when they become effective:

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement

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3 Significant accounting policies (continued)

(s) New standards and interpretations not yet adopted (continued)

of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Currently the Group is analyzing the effect of this standard on its Consolidated Financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any significant impact to the Group.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

IFRS 16 Leases

IFRS 16 is single guidance for lease accounting and contains requirements for related disclosures. The new standard replaces IAS 17 *Leases* and the related interpretations on lease. The standard is partly or fully retrospectively effective for annual periods beginning on or after 1 January 2019, with earlier application permitted under the simultaneous application of IFRS 15. The Group acknowledges that the new standard introduces many changes to the accounting for the lease and is likely to have a significant impact on Group's consolidated financial statements. The Group is currently assessing the impact of the standard on the consolidated financial statements. The Group does not intend to adopt this standard early.

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3 Significant accounting policies (continued)

(s) New standards and interpretations not yet adopted (continued)

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates

Amendments entitled *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*. These narrow scope amendments clarify, that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not), and a partial gain or loss is recognized when a transaction involves assets that do not constitute a business. The amendments are effective for annual periods beginning on or after 1 January 2016 with earlier application permitted. These amendments are not expected to have any impact on the Group.

Annual Improvements 2012-2014 Cycle

These are effective for annual periods beginning on or after 1 January 2016. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

IFRS 7 Financial Instruments: Disclosures

Servicing contracts. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

Applicability of the amendments to IFRS 7 to condensed interim financial statements. The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively. These amendments are not expected to have any impact on the Group's financial statements.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- the materiality requirements in IAS 1;
- that specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated;
- that entities have flexibility as to the order in which they present the notes to financial statements;
- that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

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3 Significant accounting policies (continued)

(s) New standards and interpretations not yet adopted (continued)

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates

Its entitled Investment Entities: Applying the Consolidation Exception. The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

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4 Operating segments

The Management Board of the Company is the Group's Chief Operating Decision-Maker.

The Group's primary activity is the provision of electricity distribution services within regions of the Russian Federation. In addition in 2013 two divisions (Tulaenergo and Ivanovoenergo) started to perform electricity retailer functions. From January and July 2014 this functions have been transferred to electricity retailers (see Note 1(a)). The internal management reporting system is based on segments relating to electric electricity distribution and electricity retailer function in separate regions of the Russian Federation (branches of the Company) and segments relating to other activities (represented by separate legal entities).

The Management Board regularly evaluates and analyzes the financial information of the segments reported in statutory financial statements of respective segments.

In accordance with requirements of IFRS 8 based on the information on segment revenue, profit before income tax and total assets reported to the Management Board the following reportable segments were identified:

- ▶ Distribution Segments - Ivanovo region, Kaluga region, Kirov region, Mari El region, Nizhniy Novgorod region, Ryazan region, Tula region, Udmurtiya region, Vladimir region – branches of OJSC IDGC of Center and Volga Region;
- ▶ Other Segments – other Group companies.

Unallocated items consist of corporate activities and balances of the Company's head office which do not constitute an operating segment under IFRS 8 requirements.

Segment items are based on financial information reported in management accounting that is based on Russian Accounting Principles and can differ significantly from those for financial statements prepared under IFRS. The reconciliation of items measured as reported to Management Board with similar items in these Financial Statements includes those reclassifications and adjustments that are necessary for financial statements to be presented in accordance with IFRS.

Information on the results of each reportable segment is included below. Performance is measured based on segment revenues and profit before income tax, as included in the internal management reports that are based on Russian Accounting Principles and are reviewed by the Management Board. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

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4 Operating segments (continued)

(i) Information about reportable segments for the year ended 31 December 2015

	Nizhny Novgorod region	Vladimir region	Tula region	Kaluga region	Kirov region	Udmurtiya region	Mari El region	Ivanovo region	Ryazan region	Other	Total
Electricity distribution	17,764,861	8,363,903	9,352,463	7,535,243	7,323,233	6,051,053	2,703,739	2,534,297	6,309,392	41,539	67,979,723
Connection to the power network	181,707	43,390	25,842	288,160	42,926	25,634	17,565	27,080	40,073	11	692,388
Electricity sales	—	—	—	—	—	—	—	—	—	—	—
Other revenue	55,813	23,312	39,405	29,072	38,773	29,438	11,460	10,696	15,519	1,093,631	1,347,119
Total segment revenues	18,002,381	8,430,605	9,417,710	7,852,475	7,404,932	6,106,125	2,732,764	2,572,073	6,364,984	1,135,181	70,019,230
Segment operating profit/(loss)	(446,276)	951,947	1,818,798	1,364,960	1,139,375	295,271	(360,507)	(378,281)	583,293	23,904	4,992,484
Segment finance income	78,238	20,804	34,661	31,217	20,087	18,870	8,914	11,320	19,011	6,723	249,845
Segment finance costs	(716,320)	(170,911)	(549,936)	(350,280)	(127,885)	(84,891)	(52,167)	(87,832)	(205,862)	(5,014)	(2,351,098)
Segment profit/(loss) before income tax	(2,016,311)	802,605	1,202,167	1,062,199	1,014,113	209,077	(292,895)	(459,021)	391,872	14,900	1,928,706
Segment depreciation and amortization	1,733,362	577,230	1,061,332	977,538	392,086	505,624	176,560	256,985	569,255	85,029	6,335,001
Segment assets <i>including property, plant and equipment</i>	27,961,519	8,185,801	13,840,483	14,381,478	4,800,431	5,227,540	2,364,559	3,308,184	7,601,553	708,111	88,379,659
Segment liabilities	22,951,236	6,288,242	11,978,339	11,691,918	3,772,607	4,415,176	1,735,050	2,689,873	6,705,923	360,413	72,588,777
Capital expenditures	11,966,365	2,826,363	6,349,020	4,975,015	1,663,035	1,530,569	1,286,880	1,678,589	2,941,642	231,112	35,448,590
	1,150,729	584,890	965,381	1,044,298	406,842	328,622	100,372	114,339	471,360	75,442	5,242,275

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4 Operating segments (continued)

(ii) Information about reportable segments for the year ended 31 December 2014

	Nizhny Novgorod		Tula	Kaluga	Kirov	Udmurtiya	Mari El	Ivanovo	Ryazan	Other	Total
	region	region	region	region	region	region	region	region	region		
Electricity distribution	18,295,880	7,638,446	8,911,102	7,098,044	6,697,049	5,748,526	2,565,262	1,920,004	6,238,544	37,675	65,150,532
Connection to the power network	98,087	39,362	33,837	395,269	34,739	37,728	9,397	26,154	48,197	11	722,781
Electricity sales	—	—	—	—	—	—	—	3,055,589	—	—	3,055,589
Other revenue	54,761	24,052	42,437	31,568	39,373	34,713	15,818	12,694	14,770	1,076,828	1,347,014
Total segment revenues	18,448,728	7,701,860	8,987,376	7,524,881	6,771,161	5,820,967	2,590,477	5,014,441	6,301,511	1,114,514	70,275,916
Segment operating profit/(loss)	650,936	462,743	1,781,081	1,305,424	447,679	467,531	(412,961)	(13,794)	774,484	14,342	5,477,465
Segment finance income	25,869	7,120	13,655	9,891	6,998	6,374	3,051	7,129	6,696	442	87,225
Segment finance costs	(559,087)	(195,206)	(259,211)	(235,705)	(212,103)	(172,615)	(85,762)	(124,256)	(193,644)	(2,381)	(2,039,970)
Segment profit/(loss) before income tax	97,314	243,197	695,832	989,045	139,662	257,725	(575,275)	(127,945)	526,071	11,618	2,257,244
Segment depreciation and amortization	1,619,151	543,375	1,012,189	859,904	380,694	483,856	172,069	266,694	515,052	83,696	5,936,680
Segment assets including property, plant and equipment	29,287,785	7,582,214	13,987,315	13,334,731	4,710,622	5,296,796	2,408,387	3,524,897	7,678,504	686,874	88,498,125
Segment liabilities	23,657,413	6,173,922	12,106,906	11,689,676	3,751,508	4,584,239	1,820,355	2,832,176	6,824,991	370,325	73,811,511
Capital expenditures	12,973,867	3,184,043	7,267,403	5,778,019	2,040,046	1,391,407	1,097,722	1,226,290	3,381,583	216,322	38,556,702
	2,359,876	677,469	1,122,398	1,704,657	351,583	579,774	175,706	162,967	877,044	87,864	8,099,338

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4 Operating segments (continued)

(iii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items

Reconciliation of key segment items measured as reported to the Management Board with similar items in these Financial Statements is presented in the tables below.

Reconciliation of revenues:

	Year ended 31 December 2015	Year ended 31 December 2014
Total revenue for reportable segments	70,019,230	70,275,916
Inter-segment revenue elimination	(934,814)	(928,095)
Reclassification from other income	132,867	425,798
Revenue per consolidated statement of profit or loss and other comprehensive income	69,217,283	69,773,619

Reconciliation of profit before income tax:

	Year ended 31 December 2015	Year ended 31 December 2014
Total profit before income tax for reportable segments	1,928,706	2,257,244
Adjustment for allowance for impairment of account receivables	-	9,650
Adjustment for depreciation of property, plant and equipment	712,299	16,240
Impairment loss on property, plant and equipment	2,104,538	(3,268,748)
Employee benefits	(128,951)	(55,374)
Interest capitalization	-	55
Other adjustments	(24,188)	56,966
Unallocated amounts	(30,877)	40,645
Profit before tax per consolidated statement of profit or loss and other comprehensive income	4,561,527	(943,322)

Reconciliation of depreciation and amortization:

	Year ended 31 December 2015	Year ended 31 December 2014
Total depreciation and amortization for reportable segments	6,335,001	5,936,680
Adjustment for depreciation of property, plant and equipment	(712,299)	(16,240)
Other adjustments	52,339	51,639
Unallocated amounts	14,065	13,497
Depreciation and amortization per consolidated statement of profit or loss and other comprehensive income	5,689,106	5,985,576

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4 Operating segments (continued)

(iii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items (continued)

Reconciliation of total assets:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Total assets for reportable segments	88,379,659	88,498,125
Inter-segment balances	(113,622)	(105,497)
Adjustment due to different accounting principles:		
Adjustment for net book value of property, plant and equipment	(12,650,770)	(15,446,959)
Prepaid expenses write-off	(71,631)	(84,562)
Adjustment for allowance for impairment of account receivables	-	2,000
Recognition of assets related to employee benefits	464,343	445,905
Assets not allocated to segments	3,591,121	5,906,690
Elimination of investments in subsidiaries	(292,598)	(292,598)
Adjustment for deferred tax	(442,388)	(634,126)
Adjustment for investments	9,519	9,519
Other adjustments	(102,113)	(123,003)
Total assets per consolidated statement of financial position	78,771,520	78,175,494

Reconciliation of property, plant and equipment:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Total property, plant and equipment for reportable segments	72,588,777	73,811,511
Adjustment for net book value of property, plant and equipment	(12,650,770)	(15,446,958)
Change in advances for acquisition of property, plant and equipment	-	-
Other adjustments	38,280	35,735
Unallocated amounts	29,838	37,296
Property, plant and equipment per consolidated statement of financial position	60,006,125	58,437,584

Reconciliation of capital expenditures:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Total capital expenditures for reportable segments	5,242,275	8,099,338
Compensation of damaged assets cost	(43,224)	(50,000)
Interest capitalization	-	55
Change in advances for acquisition of property, plant and equipment	(43,561)	(33,641)
Construction materials	110,480	20,358
Other adjustments	(12,602)	27,356
Unallocated amounts	6,652	13,274
Total capital expenditures for the reporting period	5,260,020	8,076,740

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4 Operating segments (continued)

(iii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items (continued)

Reconciliation of total liabilities:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Total liabilities for reportable segments	35,448,590	38,556,702
Inter-segment balances	(113,622)	(105,497)
Employee benefits	3,969,563	3,105,679
Loans and borrowings and accounts payable not allocated to segments	5,749,091	5,677,736
Adjustment for deferred tax	(1,016,675)	(1,286,203)
Discounting of promissory notes payable	(13,382)	(23,369)
Other adjustments	(408)	32
Total liabilities per consolidated statement of financial position	44,023,157	45,925,080

The Group performs its activities in the Russian Federation and does not have revenues from foreign customers or non-current assets located in foreign countries.

For the years ended 31 December 2015 the Group had three major customers – a distribution companies in Nizhniy Novgorod region, Kirov region and Udmurt region, Tula region of Russian Federation with individual turnover over 10% of total Group revenues. Revenues from these customers is reported by the distribution segments operating in the Nizhniy Novgorod region, Kirov region, Udmurt region and the Tula region. The total amount of revenues for major customers of Nizhniy Novgorod region for the year ended 31 December 2015 was RUB 12,177,362 thousand or 17.6% of the Group's total revenues (for the year ended 31 Decemeber 2014 – RUB 11,452,021 thousand or 16.4%). The total amount of revenues for major customers of Kirov region and Udmurt region for the year ended 31 December 2015 was RUB 9,235,143 thousand or 13.3% of the Group's total revenues (2014: not a significant customer). The total amount of revenues for major customers of Tula region for the year ended 31 December 2015 was RUB 7,557,191 thousand or 10.9% of the Group's total revenues (for the year ended 31 Decemeber 2014 – RUB 7,446,379 thousand or 10.7%) (2013: not a significant customer).

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5 Property, plant and equipment

	Land and buildings	Transmission networks	Equipment for electricity transformation	Assets under construction	Other	Total
Cost						
Balance at 1 January 2014	6,981,448	42,189,858	27,268,402	3,297,777	11,317,866	91,055,351
Reclassification	(83,007)	(10,195)	116,933	–	(23,731)	–
Additions	7,415	26,858	102,417	7,402,183	537,867	8,076,740
Transfers	271,360	4,672,501	1,898,209	(7,466,557)	624,487	–
Disposals	(5,770)	(21,180)	(50,393)	(156,137)	(148,209)	(381,689)
Balance at 31 December 2014	7,171,446	46,857,842	29,335,568	3,077,266	12,308,280	98,750,402
Reclassification	19,271	(20,943)	(21,500)	–	23,172	–
Additions	4,177	10,652	9,967	4,982,873	252,351	5,260,020
Transfers	413,254	3,089,792	1,302,826	(5,187,572)	381,700	–
Disposals	(2,495)	(13,404)	(42,982)	(100,097)	(134,303)	(293,281)
Balance at 31 December 2015	7,605,653	49,923,939	30,583,879	2,772,470	12,831,200	103,717,141
Accumulated depreciation						
Balance at 1 January 2014	(1,726,668)	(15,526,464)	(8,461,908)	(14,609)	(5,531,260)	(31,260,909)
Reclassification	40,183	(7,917)	(945)	–	(31,321)	–
Depreciation for the year	(360,933)	(2,675,686)	(1,678,417)	–	(1,205,745)	(5,920,781)
Disposals	2,685	18,221	23,519	80	93,115	137,620
Impairment loss	(267,151)	(1,541,305)	(1,237,662)	(37,150)	(185,480)	(3,268,748)
Balance at 31 December 2014	(2,311,884)	(19,733,151)	(11,355,413)	(51,679)	(6,860,691)	(40,312,818)
Reclassification	(2,937)	13,194	(11,593)	–	1,336	–
Depreciation for the year	(357,967)	(2,550,309)	(1,527,678)	5,344	(1,186,085)	(5,616,695)
Disposals	1,435	9,714	18,489	5,011	79,310	113,959
Impairment loss	300,895	1,035,527	572,464	16,800	178,852	2,104,538
Balance at 31 December 2015	(2,370,458)	(21,225,025)	(12,303,731)	(24,524)	(7,787,278)	(43,711,016)
Net book value						
At 1 January 2014	5,254,780	26,663,394	18,806,494	3,283,168	5,786,606	59,794,442
At 31 December 2014	4,859,562	27,124,691	17,980,155	3,025,587	5,447,589	58,437,584
At 31 December 2015	5,235,195	28,698,915	18,280,147	2,747,946	5,043,922	60,006,125

As at 31 December 2015 construction in progress includes advance prepayments for property, plant and equipment less bad debt provision of RUB 11,256 thousand (as at 31 December 2014: RUB 54,817 thousand).

As at 31 December 2015 construction in progress includes construction materials of RUB 238,670 thousand (as at 31 December 2014: RUB 128,190 thousand).

Borrowing costs totalling RUB 62,317 thousand with a capitalisation rate of 8.96% were included in the cost of property, plant and equipment and are represented by interest expenses on loans (2014: RUB 142,263 thousand with capitalisation rates of 8.41%).

Pledges

As at 31 December 2015 equipment with a carrying amount of RUB 14,805 thousand is pledged as collateral according the bank loan agreements (31 December 2014: RUB 11,665 thousand).

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5 Property, plant and equipment (continued)

Determination of recoverable amount of property, plant and equipment

At the end of the reporting period the Group assesses whether there is any indication that a CGU may be impaired. For those CGUs where such indication exists, the Group performed impairment testing in order to estimate the recoverable amount of that CGU.

The majority of the Group's property, plant and equipment is specialised in nature and is rarely sold on the open market other than as part of a continuing business. The market for similar property, plant and equipment is not active in the Russian Federation and does not provide a sufficient number of sales transactions for use of a market-based approach for determination of the fair value of property, plant and equipment.

Therefore the value in use for property, plant and equipment as at 31 December 2015 was determined using projected cash flows. This method considers the future net cash flows expected to be generated through the usage of property, plant and equipment in the process of operating activities up to its ultimate disposal to determine the recoverable amount of the assets.

Each CGU is determined by the Group based on the geographical location of the Company's branches and subsidiaries which is the smallest identifiable group of assets that generates cash inflows that are independent of the cash inflows from other groups of assets. The following key assumptions were used in determining the recoverable amounts of each of the cash-generating units:

- ▶ cash flows were projected based on methodological guidelines for testing of grid assets for impairment approved by the order of PJSC Russian Grids no. 558p of 15 December 2015 and forecast budget for the period:
 - ▶ until 2020 for CGUs Vladimirenergo, Kalugaenergo, Kirovenergo, Ryazanenergo;
 - ▶ until 2022 for CGUs Ivenergo, Marienergo;
 - ▶ until 2025 for CGUs Nignovenergo, Tulenergo, Udmurtenergo
- ▶ forecasted cash flows were prepared for the period 2016-2020 for CGUs Vladimirenergo, Kalugaenergo, Kirovenergo, Ryazanenergo, for the period 2016-2022 for CGUs Ivenergo, Marienergo and for the period 2015-2025 for CGUs Tulenergo, Udmurtenergo, Nignovenergo based on the distribution volumes, operating and capital expenditures and tariffs approved by regulatory bodies for 2016. For the CGUs Ivenergo, Marienergo Nizhnovenergo, Tulenergo, Udmurtenergo a longer forecast period is associated with not achieving a stable cash flow by the end of 2020. The forecast period for these branches determined the date of the test at the end of five-year-old period following the last year of the current approved period of tariff regulation or any other number of years, when the use of a different duration period is the best estimate for test purposes;
- ▶ distribution tariffs for the forecasted period were taken from business plans, adjusted and harmonized by PJSC Russian Grids which were based on tariff models generated with the average annual growth rate for the distribution of electricity in accordance with the social economic development of the Russian Federation for 2016 and the planning period of 2017-2018.
- ▶ forecasted volumes of distribution of electricity for all CGUs were determined on the basis of the annual business plan of Company for 2016-2020.
- ▶ the cash flow forecasts were discounted to their present value at the nominal weighted average cost of capital of 11.31% (after tax);
- ▶ growth rate of the net cash flows was expected at the level in the post-forecasted period:
 - ▶ 2.6% for CGUs Vladimirenergo, Kalugaenergo, Kirovenergo, Ryazanenergo
 - ▶ 2.4% for the CGUs Ivenergo, Marienergo
 - ▶ 2.2% for the CGUs Tulenergo, Nignovenergo, Udmurtenergo

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5 Property, plant and equipment (continued)

Determination of recoverable amount of property, plant and equipment (continued)

As at 31 December 2015 the Company has reclassified a number of fixed assets of the CGU Ivenergo from "specialized" category to "non-specialized". Management believes that the revision in the assessment of the fixed assets more accurately reflects the category of number of fixed assets in accordance with the possibility of selling them on the open market. As a result of the reclassification has been restored previously recognized impairment loss of CGU Ivenergo in the amount of RUB 144,425 thousand.

As a result of testing as at 31 December 2015 the Group reversed an impairment loss of RUB 1,960,113 thousand including recognised an impairment loss RUB 716,776 thousand for CGU Ivenergo (as at 31 December 2014 recognised an impairment loss RUB 1,158,049 thousand) , reversed an impairment loss of RUB 1,200,139 thousand for CGU Marienergo and RUB 1,476,750 thousand for CGU Udmurtenergo (as at 31 December 2014 recognised an impairment loss RUB 1,349,909 thousand for CGU Marienergo and RUB 760,790 thousand for CGU Udmurtenergo) relates to property, plant and equipment of Ivenergo, Marienergo and Udmurtenergo respectively classified in the Ivanovo region, Mari El region and Udmurtia region distribution segments in Note 4.

Significant quantitative unobservable inputs used in calculation of value in use are presented below:

	2016	2017	2018	2019	2020
Growth rate of gross revenue requirement to the previous year	9.71%	8.02%	7.36%	6.81%	6.82%
Net electricity supply, mln. kWh	44,448	44,622	44,736	44,910	45,084
Inflation forecast of Ministry of Economic Development, %	8.28%	6.68%	5.50%	4.00%	3.50%
Capital expenditures	3,681,960	5,777,144	5,861,036	6,222,767	6,169,002
Operating profit margin (net of income tax)	6.73%	8.94%	10.52%	11.26%	12.25%

Sensitivity analysis of basic assumptions used in the impairment model for CGU presented below:

If distribution tariffs would have been increased by 6.85% in each forecast period it would have caused the recognition of an impairment loss of RUB 0 thousand for CGU Ivenergo.

If the useful supply of electricity would have been increased by 6.9% in each forecast period it would have caused the recognition of an impairment loss of RUB 0 thousand for CGU Ivenergo.

An increase of gross revenue requirement (GRR) to basic value by 9,11% in each forecast period it would have caused the recognition of an impairment loss of RUB 0 thousand for CGU Ivenergo.

A decrease of operating expenditures by 7.77% in each forecast period it would have caused the recognition of an impairment loss of RUB 0 thousand for CGU Ivenergo.

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6 Intangible assets

	Computer software and software		
	development costs	Other	Total
Cost			
Balance as 1 January 2014	647,463	69,935	717,398
Additions	125,095	9,697	134,792
Disposal	(190)	(26,356)	(26,546)
Transfers	(9,821)	9,821	-
Balance as 31 December 2014	762,547	63,097	825,644
Balance as 1 January 2015	762,547	63,097	825,644
Additions	59,291	17,999	77,290
Disposal	-	(1,546)	(1,546)
Transfers	-	-	-
Balance as 31 December 2015	821,838	79,550	901,388
Accumulated amortisation			
Balance as at 1 January 2014	(113,678)	(6,312)	(119,990)
Disposal	50	-	50
Amortisation for the year	(63,523)	(1,272)	(64,795)
Balance at 31 December 2014	(177,151)	(7,584)	(184,735)
Balance as at 1 January 2015	(177,151)	(7,584)	(184,735)
Disposal	-	-	-
Amortisation for the year	(63,226)	(9,185)	(64,795)
Balance at 31 December 2015	(240,377)	(16,769)	(257,146)
Net book value			
At 1 January 2014	533,785	63,623	597,408
At 31 December 2014	585,396	55,513	640,909
At 31 December 2015	581,461	62,781	644,242

Software development costs represent SAP/R3 capitalized incompleted software development costs.

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7 Financial assets available-for-sale and bank promissory notes

	<u>31 December 2015</u>	<u>31 December 2014</u>
Non-current assets		
Assets related to the employee benefit fund	464,343	445,905
Financial assets available-for-sale	22,014	18,153
Total non-current assets	<u>486,357</u>	<u>464,058</u>
Current financial assets		
Deposits	10,000	4,000
Bank promissory notes	-	1,950,592
Total current financial assets	<u>10,000</u>	<u>1,954,592</u>

The fair value of available-for-sale financial assets at initial cost as at 31 December 2015 of RUB 5,133 thousand (as at 31 December 2014: RUB 5,133 thousand) was determined by reference to their quoted market prices; these instruments are listed on the Moscow Stock Exchange.

Assets related to the employee benefit fund relate to the Group's contributions accumulated in "solidary" and employees' individual pension accounts with the Non-State Pension Fund (employee benefit fund). Subject to certain restrictions the contributions to the employee benefit fund can be withdrawn at the discretion of the Group. Changes in plan assets are represented in Note 14.

8 Other non-current assets

	<u>31 December 2015</u>	<u>31 December 2014</u>
Trade receivables	20,439	15,725
Non-current portion of VAT receivable	517	4,643
Prepayments	2,097	2,209
Other receivables	2,227	3,770
Total	<u>25,280</u>	<u>26,347</u>

The Group's exposure to credit risks and impairment losses related to non-current accounts receivable are disclosed in Note 29.

9 Cash and cash equivalents

	<u>31 December 2015</u>	<u>31 December 2014</u>
Cash in bank	2,028,101	2,298,273
Call deposits	202,000	2,000
Petty cash	331	380
Total	<u>2,230,432</u>	<u>2,300,653</u>

All cash and cash equivalents are denominated in RUB.

The Group's sensitivity analysis for financial assets and liabilities is disclosed in Note 29.

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10 Trade and other receivables

	31 December 2015	31 December 2014
Trade receivables	17,416,362	15,020,238
Less: allowance for impairment of trade receivable	(5,011,452)	(3,638,816)
VAT receivable	401,913	441,616
Taxes receivable, other than income tax	28,904	17,061
Other receivables	454,773	474,384
Less: allowance for impairment of other receivable	(190,799)	(140,564)
Total	13,099,701	12,173,919

The Group's exposure to credit risk and losses from impairment of trade and other receivables are disclosed in Note 29.

11 Prepayments

	31 December 2015	31 December 2014
Prepayments	87,180	99,892
Less: allowance for impairment of prepayments	(216)	(880)
Total	86,964	99,012

12 Inventories

	31 December 2015	31 December 2014
Raw materials and supplies	1,188,131	1,136,391
Other inventories	460,932	327,284
Total	1,649,063	1,463,675

13 Equity

Share capital

	31 December 2015	31 December 2014
Number of ordinary shares authorised, issued and fully paid, number of shares	112,697,817,043	112,697,817,043
Par value (in RUB)	0.10	0.10
Total share capital (in RUB)	11,269,781,704	11,269,781,704

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13 Equity (continued)

Dividends declared and paid

In accordance with Russian legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Principles. As at 31 December 2015 the Company's retained earnings, including the profit for the year, comprised RUB 14,099,031 thousand (31 December 2014: RUB 13,469,517 thousand).

The Company declared dividends for the period were the following:

	Year ended 31 December 2015	Year ended 31 December 2014
Weighted average number of ordinary shares issued, number of shares	112,697,817,043	112,697,817,043
Dividends declared	349,363	634,489
Dividend per ordinary share (in RUB)	0.00310	0.00563

Earnings/loss per ordinary share

The calculation of earnings/loss per share is based upon the profit/loss for the year and the outstanding number of ordinary shares. The Company has no equity or debt securities with dilutive effect.

	Year ended 31 December 2015	Year ended 31 December 2014
Weighted average number of ordinary shares issued, number of shares	112,697,817,043	112,697,817,043
(Loss)/profit attributable to the shareholders	3,414,140	(1,630,855)
Weighted average (loss)/earnings per ordinary share – basic and diluted (in RUB)	0.0303	(0.0145)

14 Employee benefits

The Group provides the long-term pension and social benefit plans such as defined contribution pension plan, defined benefit pension plan and other long-term benefits that include one-time benefits paid for pensioners upon retirement, benefits paid in connection with the jubilee dates of employees, financial support to pensioners and one-time benefits paid in case of the death of pensioners.

The program of non-state pension benefit is carried by the Group on the basis of the Regulation for non-state benefits. The core element of this program is the corporate pension plan that provides post-employment benefits, and defined as defined benefit plan. Employees eligible to receive guaranteed non-state pension benefits upon retirement at the retirement age are those employees that have at least 5 years of continuous work experience with the Company (including time worked for Distribution Grid Company before reorganization), as well as employees, included in the target group of participants, formed by the decision of the Company. The amount of benefits paid under the non-state pension plan depends on working experience in the power industry and the amount of the at the time of retirement.

As at 31 December 2015, there are 23,403 employees of the Group which are active participants of the pension and social benefits programs, as well as 7,443 pensioners - recipients of material assistance (31 December 2014: 23,751 employees and 7,100 pensioners).

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14 Employee benefits (continued)

Group makes contributions to the Non-State Pension Fund “Elektroenergetiki” and the Non-State Pension Fund “Professionalny”, contributions are accumulated on pension accounts in the Non-State Pension Funds. Contributions to the non-state pension funds up to 12% of annual payroll are assumed in the Group’s annual budget. The Group’s obligations under the defined benefit plans is to contribute, by the time of employee’s retirement, the amount, which is sufficient to provide the non-state pension benefits calculated according to the pension scheme rules, to the employee’s individual accounts. Upon employee’s retirement, non-state pension fund verifies sufficiency of contributions accumulated at individual employee’s accounts, and in the case of a deficit, the Group makes additional contributions. At this point, the Group’s obligation under the defined benefit plans is settled and all pension payment obligations and all risks under the plan are transferred to fund. The Group has no obligation for indexation of non-state pension benefits paid.

Funds accumulated on individual and corporate accounts do not meet the criteria for definition as plan assets in accordance with the terms of the agreement with non-state pension fund. Terms of the agreement foresee possibility of agreement termination and payment of redemption amount to depositors. Funds, which are accumulated on corporate and individual accounts of employees of the Group, are recognized as an individual asset of the Group. Value of individual assets of the Group as at 31 December 2015 is RUB 464,343 thousand (31 December 2014 RUB 445,905 thousand).

The movement of an individual asset is disclosed below

	31 December 2015	31 December 2014
Fair value as at the beginning of the year	445,905	467,341
Return on assets	23,801	23,132
Pension contribution	370,379	320,308
Oter movement	7,295	4,446
Benefits paid by the plan	(383,037)	(369,322)
Fair value as at the beginning of the year	464,343	445,905

Payments for other defined benefit plans to the individual accounts of employees, excluding payments to non-state pension benefit of employees, are made by the Group independently without participation of non-stated pension fund. In case of right for receiving of material assistance by employees and pensioners, Group makes payments directly to employees or transferes payments to bank accounts of pensioners.

The amount of the expected payments on long-term employee benefit plans for 2016 is RUB 435,336 thousand including:

- payments on defined benefit pension plan RUB 424,799 thousand
- payments on other long-term defined benefit plans RUB 10,537 thousand

Description of the most of significant risks is presented below:

- Changes in government bond yield:
Reduction in government bond yield will result to an increase in the present value of obligations under employee benefit plans of the Group
- Inflation risk and the risk of growth of wages:
The most part of benefit plans correlates with salaries and wages of the employees of the Group. At the same time inflation growth has a direct impact on the growth of salaries and wages of employees of the Group. Higher inflation rate will result in an increase in the present value of obligations under employee benefit plans of the Group.

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14 Employee benefits (continued)

- The risk of mortality reduction plan participants:

Significant part of pension obligations of the Group includes one-off payments upon reaching of defined age or continuous-time of work including payments for pensioners upon retirement. The amount of such obligations depends on probability of employee survival to the vested date. Also Group makes life payments to non-working pensioners. The amount of such payments depends on expected lifetime. A reduction in mortality of employees and pensioners of the Group will lead to higher present value of obligations under all employee benefit plans.

The table below summarises the amounts of defined benefit obligations recognised in the financial statements.

Amounts recognised in the consolidated statement of financial position:

	31 December 2015	31 December 2014
Post-employment benefits	3,845,363	3,005,305
Other long-term employee benefits	124,200	100,374
Net defined benefit liability in consolidated statement of financial position	3,969,563	3,105,679

Movements in net defined benefit liability are as follows:

	Year ended 31 December 2015		Year ended 31 December 2014	
	Present value of post-employment benefit obligation	Present value of other long-term employee benefit obligation	Present value of post-employment benefit obligation	Present value of other long-term employee benefit obligation
Employee benefit obligations as at the beginning of the year	3,005,305	100,374	3,045,962	103,877
Current service cost	197,390	8,635	197,931	9,788
Interest cost	314,087	11,413	213,717	7,467
Past service cost	-	-	295	-
	511,477	20,048	411,943	17,255
Included in other comprehensive income				
Remeasurement loss/(gain) arising from:				
- demographic assumptions	141,798	568	112,527	7,273
- financial assumptions	449,947	11,743	(396,929)	(12,047)
- experience adjustment	124,751	(3,269)	206,303	(5,441)
	716,496	9,042	(78,099)	(10,215)
Benefits paid	(387,915)	(5,264)	(374,501)	(10,543)
Employee benefit obligations as at the end of the year	3,845,363	124,200	3,005,305	100,374

Amounts recognised in profit or loss are as follows:

	Year ended 31 December 2015	Year ended 31 December 2014
Current service cost	206,025	208,014
Interest expenses	325,500	221,184
Recognised actuarial (profit)/loss	9,042	(10,215)
Total	540,567	418,983

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14 Employee benefits (continued)

Movements in actuarial loss/(gain) are as follows:

	Year ended 31 December 2015	Year ended 31 December 2014
Actuarial loss as at the beginning of the year	1,006,177	1,084,276
Included in other comprehensive income:		
Actuarial loss arising from demographic assumptions	141,798	112,527
Actuarial (gain)/loss arising from financial assumptions	449,947	(396,929)
Actuarial loss arising from experience adjustment	124,751	206,303
	716,496	(78,099)
Actuarial loss as at the end of the year	1,722,673	1,006,177

Significant actuarial assumptions are as follows:

Financial actuarial assumptions	31 December 2015	31 December 2014
Discount rate, annual	9.50%	12.00%
Future salary increase	6.00%	7.00%
Future inflation rate	6.00%	7.00%

Financial assumptions are based on market expectations, at the end of the reporting period, for the period over which the obligations are to be settled. The average period over which the Group obligations are to be settled is 10.81 years including:

- for defined benefit pension plan 10.89 years
- for other long-term defined benefit plan 10.36 years.

Demographic actuarial assumptions	31 December 2015	31 December 2014
Expected retirement age:		
Males	60	60
Females	55	55
Employee turnover	3.70%	4.00%
Mortality table	2011 adjusted	2011 adjusted

Assumptions regarding future mortality have been based on published mortality table Russia 2011 modified with the following ratios based on Group's statistics of the mortality of plan members both during and after employment: 70% for plan males during employment, 80% for plan females during employment and 10% for plan males after employment, 10% for plan females after employment.

The expected employee turnover is based on historical data and is about 3,7% for employees who have been working to 32.5 years and is reduced to 1.4% for employees who have been working of 32.5 years and more.

The sensitivity of defined benefit obligation to changes in the principal assumptions is:

	Change in assumptions	Impact on benefit obligations
Discount rate	Increase/decrease by 0.5% p.p.	Decrease/Increase by 4.54%
Future salary increases (nominal)	Increase/decrease by 0.5% p.p.	Increase/decrease by 4.53%
Future pension increases (inflation)	Increase/decrease by 0.5% p.p.	Increase/decrease by 0.16%
Employee turnover	Increase/decrease by 10%	Decrease/Increase by 1.54%
Mortality rate	Increase/decrease by 10%	Decrease/Increase by 0.47%

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14 Employee benefits (continued)

The above sensitivity analysis is based on the method of each actuarial assumption changes with other actuarial assumptions remaining constant. The valuation method similar to the estimation measurement method of the present value of liabilities (projected unit credit method) was applied to the key actuarial assumptions used in calculation of the sensitivity of the present value of liabilities, recognized in the consolidated statement of financial position.

15 Loans and borrowings

Long-term borrowings

	Effective interest rate, %	Currency	Year of maturity	31 December 2015	31 December 2014
Long-term loans and borrowings					
including:					
PJSC Sberbank	7.51-12.9%	RUB	2016-2018	15,785,011	13,836,606
PJSC Sviaz-Bank	7.92-13.5%	RUB	2016-2019	3,003,004	3,003,955
JSC Gazprombank	8.5%	RUB	2016-2018	5,984,915	5,984,915
JSC KB Associaciya	14.00%	RUB	2016-2017	314	566
JSC Rosselkhozbank	13-14%	RUB	2016-2018	3,447	5,083
Bond loans	9.15%	RUB	2015	-	4,000,000
Total				24,776,691	26,831,125
Less current portion of long-term loans	7.51-14%	RUB	2016	(10,844,184)	(7,002,764)
Total long-term loans and borrowings				13,932,507	19,828,361

Short-term loans and borrowings

	Effective interest rate, %	Currency	31 December 2015	31 December 2014
Short-term loans and borrowings				
including:				
PJSC Sberbank	10.7%	RUB	18,000	-
Other		RUB	5	15,077
Current portion of long-term loans and borrowings	7.92-14%	RUB	10,844,184	7,002,764
Total short-term loans and borrowings			10,862,189	7,017,841

All loans and borrowings listed above are fixed interest rate instruments.

The Group's loans and borrowings are represented by borrowings under credit lines. The amount of unused credit limits under existing credit line agreements as at 31 December 2015 comprised RUB 15,030,694 thousand (31 December 2014: RUB 9,000,000 thousand).

The Group has not entered into any hedging arrangements in respect of its interest rate exposure.

As at 31 December 2015 bank loans in the amount of RUB 6,765 thousand (as at 31 December 2014: RUB 5,083 thousand) are secured by equipment and materials with carrying value of RUB 14,805 thousand (31 December 2014: RUB 11,665 thousand) (see Notes 5, 12).

The Group's exposure to liquidity and interest rate risk related to borrowings is disclosed in Note 29.

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16 Trade and other payables

Non-current payables

	<u>31 December 2015</u>	<u>31 December 2014</u>
Advances from customers	947,262	1,251,979
Other payables	19,643	31,371
Total	966,905	1,283,350

Current payables

	<u>31 December 2015</u>	<u>31 December 2014</u>
Trade payables	5,143,753	5,255,774
Advances from customers	1,486,136	1,361,687
Payables to employees	1,231,887	1,184,699
Provision for legal claims (see Note 28)	1,070,826	1,953,718
Dividends payable	20,812	19,051
Other payables	156,620	270,001
Total	9,110,034	10,044,930

The Group's exposure to liquidity risk is disclosed in Note 29.

17 Current tax liabilities, other than income tax

	<u>31 December 2015</u>	<u>31 December 2014</u>
Social insurance contribution payable	430,378	357,912
VAT payable	1,083,342	933,126
Property tax payable	145,677	108,189
Fines and other penalties payable	-	841
Other taxes payable	116,583	109,397
Total	1,775,980	1,509,465

18 Revenue

	<u>Year ended</u> <u>31 December 2015</u>	<u>Year ended</u> <u>31 December 2014</u>
Electricity distribution	68,072,720	65,566,026
Electricity sales	-	3,018,706
Connection services	696,869	722,781
Other revenue	447,694	466,106
Total	69,217,283	69,773,619

Starting from January 2014, following the decision of the Russian Ministry of Energy no. 911 of 23 December 2013 the function of electricity retailer in Tula region was transferred from the Group to OJSC "TEK", a third party. From July 2014 the function of electricity retailer in Ivanovo region was transferred from the Group to regional electricity retailer.

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19 Operating expenses

	Year ended	Year ended
	31 December 2015	31 December 2014
Electricity distribution	26,621,957	26,641,975
Personnel costs (Note 20)	14,802,871	14,046,024
Purchased electricity for resale	-	1,765,009
Purchased electricity for compensation of losses	9,452,525	9,216,429
Depreciation and amortisation	5,689,106	5,985,576
Materials	2,337,285	2,036,007
Impairment loss on property, plant and equipment	(2,104,538)	3,268,748
Repair and maintenance	1,575,252	1,395,027
Allowance for impairment of account receivables (Note 29)	1,447,036	1,004,578
Taxes other than income tax	784,386	632,491
Provisions for legal claims (Note 28)	(713,665)	157,366
Electricity and heat power for own needs	380,393	384,503
Operating lease	339,157	355,133
Management fees (third parties)	263,813	264,652
Consulting, legal and audit services	263,811	270,846
Security services	185,856	184,618
Communication services	169,190	170,203
Utilities and other property maintenance services	166,295	181,660
Insurance cost	151,797	138,705
Electricity metering services	149,149	147,984
Social expenditures and charity expenses	147,176	62,774
Loss on disposal of property, plant and equipment	62,775	176,798
Transportation	31,923	32,254
Bank commission	3,734	6,065
Other expenses	653,724	711,605
Total	62,861,008	69,237,030

20 Personnel costs

	Year ended	Year ended
	31 December 2015	31 December 2014
Wages and salaries	11,293,426	10,793,326
State Pension fund of the Russian Federation contributions	2,337,421	2,202,382
Insurance contributions to non-pension funds	899,120	809,752
Remeasurement of post-employment defined benefit plan, and defined benefit contribution plan	272,904	240,564
Total	14,802,871	14,046,024

The average number of employees (including production and non-production staff) was 23,562 for the year ended 31 December 2015 (25,138 for year ended 31 December 2014).

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21 Other income

	Year ended 31 December 2015	Year ended 31 December 2014
Accounts payable written-off	52,654	21,780
Other fines and penalties	160,288	151,158
Power consumption compensation (non - contractual)	95,874	70,315
Compensation of dismantled property, plant and equipment	53,823	74,034
Compensation for the transfer of power lines	10,460	19,049
Insurance compensation, net	29,376	46,398
Surpluses	505	378
Other income	4,053	3,571
Total	407,033	386,683

22 Finance income and expenses

	Year ended 31 December 2015	Year ended 31 December 2014
Finance income		
Interest income on cash in bank	370,259	183,572
Interest income on promissory notes	89,170	183,457
Other interest income	24,358	32,991
	483,787	400,020
Finance expenses		
Interest expense on loans and borrowings	(2,349,893)	(2,039,930)
Interest expense on post-employment benefit	(325,500)	(221,184)
Other interest expense	(10,175)	(5,500)
	(2,685,568)	(2,266,614)
Finance expenses, net recognised in profit or loss	(2,201,781)	(1,866,594)

23 Income tax

	Year ended 31 December 2015	Year ended 31 December 2014
Current tax		
Current income tax charge	677,859	772,958
Under/(Over)provided in prior years	55,883	5
Total	733,742	772,963
Deferred tax		
Origination and reversal of temporary differences	413,505	(86,672)
Change in tax base of property, plant and equipment	-	-
Total	413,505	(86,672)
Income tax expense	1,147,247	686,291

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23 Income tax expense (continued)

The Group's applicable tax rate in the Russian Federation is the income tax rate of 20%.

Reconciliation of (loss)/profit before tax:	Year ended 31 December 2015	Year ended 31 December 2014
(Loss)/profit before income tax	4,561,527	(943,322)
Income tax at applicable tax rate	912,305	(188,664)
Overprovided in prior years	55,883	5
Change in tax base of property, plant and equipment	-	-
The effect of using profit tax concession	-	(14,451)
Tax effect of items which are not deductible for taxation purposes	179,059	889,401
Total	1,147,247	686,291

Deferred tax assets and liabilities

For the year ended 31 December 2015 deferred tax assets and liabilities are attributable to the following items:

	31 December 2015	Recognised in profit or loss	Recognised in other comprehensive income	1 January 2015
Trade and other payables	362,772	(77,164)	-	439,936
Employee benefits	744,026	20,131	143,299	580,596
Deferred tax assets	1,106,798	(57,033)	143,299	1,020,532
Property, plant and equipment	(4,315,677)	(426,354)	-	(3,889,323)
Inventories	(51,188)	1,019	-	(52,207)
Trade and other receivables	(49,349)	67,468	-	(116,817)
Trade and other payables	-	5,028	-	(5,028)
Employee benefits	(92,869)	(3,688)	-	(89,181)
Available-for-sale financial assets	(2,504)	55	(827)	(1,732)
Deferred tax liabilities	(4,511,587)	(356,472)	(827)	(4,154,288)
Net deferred tax liabilities	(3,404,789)	(413,505)	142,472	(3,133,756)

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23 Income tax expense (continued)

Deferred tax assets and liabilities (continued)

For the year ended 31 December 2014 deferred tax assets and liabilities are attributable to the following items:

	31 December 2014	Recognised in profit or loss	Recognised in other comprehensive income	1 January 2014
Trade and other receivables	–	(301,554)	–	301,554
Trade and other payables	439,936	(200,100)	–	640,036
Employee benefits	580,596	(33,752)	(15,620)	629,968
Deferred tax assets	1,020,532	(535,406)	(15,620)	1,571,558
Property, plant and equipment	(3,889,323)	751,023	–	(4,640,346)
Inventories	(52,207)	(17,806)	–	(34,401)
Trade and other receivables	(116,817)	(116,817)	–	–
Trade and other payables	(5,028)	1,510	–	(6,538)
Employee benefits	(89,181)	4,287	–	(93,468)
Available-for-sale financial assets	(1,732)	(119)	980	(2,593)
Deferred tax liabilities	(4,154,288)	622,078	980	(4,777,346)
Net deferred tax liabilities	(3,133,756)	86,672	(14,640)	(3,205,788)

24 Related parties

(a) Control relationships

As at 31 December 2015 and 31 December 2014, JSC Russian Grids was the parent company of the Group.

The party with ultimate control over the Group is the State.

(b) Transactions with the parent and entities under control of the parent

Transactions with the Parent's subsidiaries and associates were as follows:

	Year ended 31 December 2015	Year ended 31 December 2014
Revenue	60,363	79,449
Electricity sales	–	–
Other sales	60,363	79,449
Expenses	10,033,818	11,086,900
Electricity distribution fee	9,648,888	10,732,677
Other expenses	384,930	354,223

All outstanding balances with related parties are to be settled in cash within a year of the statement of financial position date. None of the balances are secured.

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24 Related parties (continued)

(b) Transactions with the parent and entities under control of the parent (continued)

Outstanding balances:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Trade and other receivable and prepayments	74,046	98,487
Trade and other payable	(783,748)	(830,241)

Related party revenue for electricity distribution and connection services is based on the tariffs determined by the Government in a range of minimum and (or) maximum levels, approved by Federal tariff service of the Russian Federation; other related party transactions are based on normal market prices.

(c) Transactions with other state controlled entities

In the normal course of business the Group enters into transactions with other entities under Government control. Prices for electricity and heat are based on tariffs set by the Federal Service on Tariffs and the regional services on tariffs. Bank loans are provided on the basis of market rates.

Revenues from state-controlled entities for the year ended 31 December 2015 constitute 6% (2014: 5%). Major part is represented by revenue from distribution and sale of electricity.

Electricity distribution costs for services from state-controlled entities for the year ended 31 December 2015 constitute 5% (2014: 8%) of total distribution costs.

Interest expenses for loans from state-controlled entities for the year ended 31 December 2015 constitute 85% (2014: 83%) of total interest expenses.

Loans, borrowings and promissory notes received from stated controlled entities:

	<u>Change for the period 2015</u>	<u>Outstanding balance 31 December 2015</u>	<u>Change for the period 2014</u>	<u>Outstanding balance 31 December 2014</u>
Bank promissory notes	(1,950,592)	-	1,950,592	1,950,592
Loans and borrowings	1,963,818	24,794,377	3,562,160	22,830,559

(d) Transactions with key management personell and their close family members

There are no transactions or balances with key management (Board of Directors and Top management – including General Director, Deputy Gneral Directors – Directors of branches) and their close family members, except for remuneration in the form of salary and bonuses, and long-term benefits contributions to pension plans.

Compensation is paid to members of the Board of Directors and Top management for their services in full time in management positions. The compensation is made up of a contractual salary, non-cash benefits, and performance bonuses depending on results for the period according to Russian statutory financial statements.

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24 Related parties (continued)

(d) Transactions with key management personell and their close family members (continued)

Members of the Board of Directors and the Top management of the Group received the following remuneration:

	Year ended 31 December 2015		Year ended 31 December 2014	
	Members of Board of Directors	Top management	Members of Board of Directors	Top management
Salaries and bonuses (including insurance contributions)	20,647	218,230	20,530	223,280

As at 31 December 2015 the defined benefit contribution and other termination benefits accounted RUB 55,389 thousand for top management (as at 31 December 2014 RUB 18,196 thousand).

25 Operating leases

The Group leases a number of land plots owned by local governments under operating lease agreements.

Future minimum land lease payments are determined by lease agreements and are as follows:

	31 December 2015	31 December 2014
Less than one year	261,524	180,281
Between one year and five years	868,236	699,601
After five years	4,511,610	3,257,924
Total	5,641,370	4,137,806

The land areas leased by the Group are the territories on which the Group's electricity grids, substations and other assets are located. Some contracts for land lease are concluded for 49 years, other contracts are concluded for one year with prolongation. Lease payments are reviewed regularly to reflect market rentals.

During the year RUB 339,157 thousand (2014: RUB 355,133 thousand) was recognised in profit or loss in respect of operating lease.

Future minimum lease payments of contractors when the Company acts as a lessor are as follows:

	31 December 2015	31 December 2014
Less than one year	27,300	40,882
Between one year and five years	63,677	63,211
After five years	176,513	245,345
Total	267,490	349,438

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26 Disposal of a subsidiary

In January 2014 the Group sold its investment in OJSC "Luchinskoye Agricultural Enterprise" to a third party. Gain on disposal of the subsidiary comprised of RUB 7,996 thousand.

The disposal of the subsidiary had the following effect on the Group's assets and liabilities at the date of disposal:

	OJSC "Luchinskoye Agricultural Enterprise"
Property, plant and equipment	3,112
Current assets	2,187
Current liabilities	(1,295)
Net assets	4,004
Group ownership	100%
The Group's share in net assets disposed of	4,004
Consideration received, paid in cash	12,000
Gain on disposal	7,996
Cash disposed of	(94)
Net cash inflow from sale of the subsidiary	11,906

27 Commitments

Capital commitments

As at 31 December 2015 the Group has outstanding commitments under the contracts for purchase and construction of property, plant and equipment in the amount of RUB 1,830,173 thousand (31 December 2014: RUB 3,008,654 thousand).

28 Contingencies

Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full insurance coverage for its stations, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Company's operations and financial position.

Legal proceedings

The Group is a party to certain legal proceedings arising in the ordinary course of business.

Management believes that court decisions in relation to claims in the total amount of RUB 1,070,826 thousand (31 December 2014: RUB 1,953,718 thousand) will not be in favour of the Group, the provision is made for the full amount of claims.

The Group assesses the risk of cash outflow as possible for other legal cases in the amount of RUB 204,992 thousand.

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28 Contingencies (continued)

Liabilities are measured in the amount of legal claims proceeded against the Group. The expected timing of court decisions on these claims is estimated as a period not exceeding one year.

The Group assesses that there are no uncertainty in respect of legal claims amount and timing of decisions.

The movement in the provision for legal proceedings was as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Opening balance	1,953,718	2,037,257
Charge	598,062	831,370
Reversal	(1,311,727)	(674,004)
Use of provision	(169,227)	(240,905)
Closing balance	1,070,826	1,953,718

In the opinion of management, there are no current other legal proceedings or other claims outstanding, which, upon final disposition, will have a material adverse effect on the financial position of the Group.

Taxation

Russian tax, currency and customs law allows for various interpretations and is subject to frequent changes. Management's interpretation of legislation as applied to the Company's transactions and activities may be challenged by regional or federal authorities.

In 2014, tax law was amended to counter the use of low tax jurisdictions and aggressive tax planning structures. These amendments are effective from 2015.

These changes and recent trends in applying and interpreting certain provisions of Russian tax law indicate that the tax authorities may take a tougher stance in interpreting legislation and reviewing tax returns. As a result, significant taxes, penalties and fines may be accrued. It is not possible to determine the amounts of constructive claims or evaluate the probability of a negative outcome. Tax audits may cover a period of three calendar years immediately preceding the audited year.

According to management, at 31 December 2015, they had properly construed the relevant legislation, and the probability that the Company will retain its position with regard to tax, currency and customs law is assessed as high.

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28 Contingencies (continued)

Environmental matters

The Group and its predecessors have operated in the electric power industry in the Russian Federation for many years. The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group entities periodically evaluate their obligations under environmental regulations.

Potential liabilities might arise as a result of changes in legislation and regulation or civil litigation. The impact of these potential changes cannot be estimated but could be material. Under existing legislation, management believes that there are no significant liabilities for environmental damage.

29 Fair values and risk management

(a) Fair value hierarchy

A number of the Group's accounting policies and disclosures require the measurement of fair value, for both financial and non-financial assets and liabilities.

The fair value of financial assets and liabilities is determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- The fair value of other financial assets and financial liabilities (excluding derivatives) are determined in accordance with generally accepted pricing models based on a discounted cash flow analysis using prices from observable current market transactions.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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29 Fair values and risk management (continued)

(a) Fair value hierarchy (continued)

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The table below analyses financial instruments by levels of the hierarchy carried at fair value, by valuation method.

	<u>31 December 2015</u>	<u>31 December 2014</u>
Level 1	22,014	18,153
Total	<u>22,014</u>	<u>18,153</u>

The financial instruments of the Group carried at fair value represent available-for-sale financial assets (see Note 7).

As at 31 December 2015 and 31 December 2014 the Group has no financial instruments within a hierarchy Level 2 and Level 3.

Management believes that at 31 December 2015 the fair value of the Group's other financial assets and liabilities approximates their carrying value.

(b) Financial risk management

The Group has an exposure to the following risks:

- credit risk (see 29(b) (ii));
- liquidity risk (see 29(b) (iii));
- market risk (see 29(b) (iv)).

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's system for management of capital. Further quantitative disclosures are included throughout these Financial Statements.

(i) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors formed Risk management committee responsible for development of risk management policy and overseeing on its implementation. Risk management committee regularly reports on their performance to the Board of Directors.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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29 Fair values and risk management (continued)

(b) Financial risk management (continued)

(ii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. To manage credit risk, the Group attempts, to the fullest extent possible, to demand prepayments from customers.

Prepayments for connection services are usually included in the customer service contracts.

The customer base for electricity distribution services for each of the Group's entities is limited to several distribution companies and a small number of large manufacturing enterprises. Payments are monitored regularly and electricity distribution customers are notified in case of failures to submit timely payments.

The Group does not require collateral in respect of trade and other receivables.

The Group establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables that relate to individually significant exposures.

Cash and cash equivalents

The Group attempts to minimise the credit risk exposure for current and deposit accounts in banks by placing temporarily available funds only to the banks that are lenders to the Group.

The Group held cash and cash equivalents in the amount of RUB 2,230,432 thousand at 31 December 2014 (31 December 2014: RUB 2,300,653 thousand), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated BAA to AA+, based on rating agency Expert RA ratings.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as of the reporting date is represented in the table below:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Accounts receivables (net of allowance for impairment)	12,668,884	11,715,242
Cash and cash equivalents	2,230,432	2,300,653
Bank promissory notes	10,000	1,954,592
Available-for-sale financial assets	22,014	18,153
Other non-current assets (net of allowance for impairment)	22,666	19,495
Total	14,953,996	16,008,135

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29 Fair values and risk management (continued)

(b) Financial risk management (continued)

The maximum exposure to credit risk in relation to trade receivables originated from sales at the reporting date by type was:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Electricity distribution	16,440,433	13,695,440
Connection services	190,344	135,578
Electricity and heat power	142,509	359,340
Other sales	663,515	845,605
Less: allowance for impairment of accounts receivable	(5,011,452)	(3,638,816)
Total	<u>12,425,349</u>	<u>11,397,147</u>

The aging of trade and other receivables grouped by the days overdue at the reporting date was:

	<u>31 December 2015</u>		<u>31 December 2014</u>	
	Gross	Impairment	Gross	Impairment
Not past due	8,232,068	(56,149)	8,050,902	(69)
Past due not more than 3 months	2,236,006	(207,925)	1,589,003	(161,501)
Past due more than 3 months and not more than 6 months	475,187	(235,181)	235,396	(116,647)
Past due more than 6 months and not more than 1 year	1,299,372	(926,809)	1,222,137	(874,649)
Past due more than one year	5,651,168	(3,776,187)	4,416,679	(2,626,514)
Total	<u>17,893,801</u>	<u>(5,202,251)</u>	<u>15,514,117</u>	<u>(3,779,380)</u>

The movement in the allowance for impairment in respect of trade and other receivables was as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Opening balance	3,779,380	2,840,550
Charge of additional allowance for doubtful debtors	2,170,082	1,169,416
Reversal of the allowance for doubtful debtors	(729,767)	(195,562)
Accounts receivable written off through allowance for bad debts	(17,444)	(35,024)
Closing balance	<u>5,202,251</u>	<u>3,779,380</u>

The allowance accounts in respect of trade and other receivables are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable and is written off against the financial asset directly.

The management believes that the unimpaired amounts that are past due by more than 3 months are still collectible in full, based on historic payment behaviour and extensive analysis of customer credit risk, including underlying customers' credit ratings if they are available.

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29 Fair values and risk management (continued)

(b) Financial risk management (continued)

(iii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group monitors the risk of cash shortfalls by means of current liquidity planning. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. This approach is used to analyze payment dates associated with financial assets, and also to forecast cash flows from operating activities.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

As at 31 December 2015:

	Carrying amount	Contractual cash flows	12 months	1-2 years	2-5 years	Over 5 years
Financial liabilities						
Loans and borrowings	24,794,696	28,138,581	12,806,037	7,323,433	8,009,111	–
Trade and other payables	5,320,016	5,299,828	5,268,148	7,920	23,760	–
Total	30,114,712	33,438,409	18,074,185	7,331,353	8,032,871	–

As at 31 December 2014:

	Carrying amount	Contractual cash flows	12 months	1-2 years	2-5 years	Over 5 years
Financial liabilities						
Loans and borrowings	26,846,202	30,995,848	9,198,772	12,224,070	9,573,006	–
Trade and other payables	5,557,146	5,604,275	5,545,934	26,661	23,760	7,920
Total	32,403,348	36,600,123	14,744,706	12,250,731	9,596,766	7,920

(iv) Market risk

Interest rate risk

The Group's interest rate risk arises from short-term and long-term borrowings. Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt).

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group is exposed to interest rate risk through market value fluctuations of interest-bearing long-term borrowings. The majority of interest rates on long term and short term borrowings are fixed, these are disclosed in Note 15. The Group has no significant interest-bearing assets. Management takes steps to minimize risks related to the unpredictability of the financial markets and to reduce the potential negative effects of interest rate fluctuations on the Group's financial results by signing credit agreements, whose interest rates cannot be changed by the credit institutions without the Company's agreement.

Translation from the original Russian version

PJSC IDGC of Center and Volga Region
Notes to the consolidated financial statements for the year ended 31 December 2015

(in thousands of Russian roubles, unless otherwise stated)

29 Fair values and risk management (continued)

(b) Financial risk management (continued)

(v) Capital management

Management is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the level of dividends to ordinary shareholders. Management seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. Neither the Company nor any Group companies are subject to externally imposed capital requirements.

The Group's debt-to-equity ratio at the end of the reporting and comparative periods was as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Total liabilities	44,023,157	45,925,080
Equity	34,748,363	32,250,414
Debt-to-equity ratio	127%	142%

30 Subsequent events

Events after the balance sheet date, which should be reflected in the consolidated financial statements for the reporting period, have not been identified.

Supplement to the Strategy and Development Prospects Section

Key Regulations Governing the Company's Operations

Federal laws:

- No. 184-FZ on Technical Regulation, dated December 27, 2002;
- No. 35-FZ on Electric Energy, dated March 26, 2003;
- No. 261-FZ on Saving Energy and Increasing Energy Efficiency, and on Amendments to Certain Legislative Acts of the Russian Federation, dated November 23, 2009;
- On Protection of Competition No.135-FZ dated July 26, 2006;
- On Natural Monopolies No.147-FZ dated August 17, 1995.

Orders and Decrees of the Government of the Russian Federation:

- No. 526 on Reforming the Power Industry of the Russian Federation, dated July 11, 2001;
- No. 977 on the Investment Programs for the Power Industry (along with the Regulations on Approval of the Investment Programs of the Power Industry State-Owned Enterprises and Grid Companies, Regulations on Control of the Implementation of Investment Programs of the Power Industry Companies), dated December 1, 2009; (as amended by Decrees of the Russian Government No. 484 dated June 30, 2010, No. 1178 dated December 29, 2011);
- No. 442 on Functioning of Retail Markets for Electric Power, Full and (or) Partial Limitation of Electric Power Consumption Regime (along with Key Regulations on Functioning of Retail Markets for Electric Power and Rules for Full and (or) Partial Limitation of Electric Power Consumption Regime) dated May 4, 2012 (as amended on February 22, 2016);
- No. 160 on the Order of Establishment of the Protected Zones Around Power Grid Facilities and Special Conditions of Land Use Within Such Zones, dated February 24, 2009;
- No. 1715-r On Energy Strategy of Russia for the period up to 2030 (ES-2030) (a decree of the Government of the Russian Federation) dated 13 November 2009;
- No. 511-r On Approval of the Development Strategy of the Electric Grid Complex of Russia dated April 3, 2013 (as amended on July 18, 2015);
- No. 861 on Approval of Rules for Non-Discriminatory Access to Services of Transmission of Electric Power and Providing These Services, Rules for Non-Discriminatory Access to Services of Operating and Dispatch Management in the Electric Power Industry and Providing These Services, Rules for Non-Discriminatory Access to Services of the Trading System Administrator of the Wholesale Market and Providing These Services and Rules of Technological Connection of Energy-Receiving Devices of Legal and Physical Persons to Electric Networks, dated December 27, 2004;
- No. 1178 On Pricing with regard to Regulated Prices (Tariffs) in the Electric Power Industry, dated December 29, 2011;
- No. 977 on the Investment Programs of Power-Industry Entities (along with the Regulations on Approval of the Investment Programs of the Power Industry State-Owned Enterprises and Grid Companies, Regulations on Control of the Implementation of Investment Programs of the Power Industry Companies), dated December 1, 2009 (as

amended by Decrees of the Russian Government No.484 dated June 30, 2010, No.1178 dated December 29, 2011, No. 231 dated March 22, 2012; No.159 dated February 27, 2013; No. 403 dated May 8, 2013, No. 247 dated March 29, 2014, No. 132 dated February 16, 2015, and No. 941 dated September 4, 2015);

- No. 184 On Deeming the Owners of Electric Grid Facilities to Be Territorial Grid Organizations dated February 28, 2015;

- No. 823 On Plans and Programs for Power Industry Development (along with Regulations on Development and Approval of Plans and Programs for Power Industry Development) dated October 17, 2009 (as amended on February 16, 2015);

- No. 24 On the Approval of the Standards of Disclosure by Wholesale and Retail Electricity Market Entities dated January 21, 2004 (as amended on October 29, 2015, with the amendments coming into effect on January 1, 2016);

Orders of the Russian Ministry of Energy:

- No. 49 on the Procedure of Calculation of Active to Reactive Power Consumption Ratio for Specific Power Receivers (Groups of Power Receivers) of Power Consumers Applied to Identify Liabilities of Parties to Contracts on Power Transmission Services (Power Supply Contracts), dated February 22, 2007;

- No. 506 On Approval of the Methods for Determining a Standard of Energy Losses during Its Transmission via Power Grids dated August 7, 2014 (registered at the Ministry of Justice of the Russian Federation on September 17, 2014, No. 34075);

- No. 674 On Approval of Standards of Energy Losses during Its Transmission via Power Grids of the Territorial Grid Organizations dated September 30, 2014 (registered at the Ministry of Justice of the Russian Federation on October 22, 2014, No. 34400);

- No. 250 On Approval of the Guidelines for Calculating the Load on Power Grid Facilities Commissioned After Construction, as well as for Specification and Application of Ratios for Alignment of Maximum Power Consumption while Specifying the Load on Such Facilities, dated May 6, 2014 (registered at the Ministry of Justice of the Russian Federation on May 30, 2014, No. 32513).

Orders and Instructions of JSC Russian Grids:

- Order on Measures for Maintenance of Activities Aimed at Certification of Equipment, Technologies, Materials and Systems in JSC Russian Grids No. 546 dated September 2, 2013, (as amended pursuant to Order of JSC Russian Grids No. 641 dated November 8, 2013);

- Instruction on Approval of the Standard on Unified Principles of Tariff Processes and Implementation of the Tariff Policy of Companies of JSC Russian Grids No. 175r dated April 25, 2014;

- Instruction on Approval of the Standard Regulation for Operations of Subsidiary and Dependent Companies of JSC Russian Grids Aimed at Identification, Reduction and Exclusion of Non-Contracted and Unmetered Power Consumption No. 162r dated April 15, 2014;

- Standard for Technical Policy. Power Metering Systems with Remote Collection of Data from Wholesale and Retail Electrical Power Markets at the Facilities of Subsidiary and Dependent Companies of JSC Russian Grids (as approved at the meeting of the Management Board on May 5, 2014, Minutes No. 232pr/1);

- Regulations of JSC Russian Grids on the Uniform Technical Policy in the Power Grid Complex (approved by the Resolution of the Board of Directors of the Company as an internal document; integrated into the Register of Internal Normative, Technical and Regulatory documents by Order No. 91 dated February 17, 2014).

List of R&D Subjects Implemented in 2015

R&D name	Time frame for implementation	Contractor	Details of agreements	Total contract value, RUB million including VAT	Financing as of January 1, 2015, RUB million including VAT	Financing in 2015, RUB million including VAT	Documenting as of January 1, 2015, RUB million excluding VAT	Documenting in 2015, RUB million excluding VAT	Status (ongoing/completed)
R&D - Development of a smart power-supply system for rapid charging of electric vehicles based on lithium-ion energy accumulators on the facilities with limitations concerning allocated power capacity and power-supply category	2014-2015	Leadmar Ltd.	No. 100-552 dated December 1, 2014	33.86	11.81	11.81	0.00	11.48	Ongoing
Development engineering - Development of intermediate support gantries (single-circuit and double-circuit) made from composite materials for high-voltage power transmission lines of a 35 kV voltage class	2014-2016	CJSC FENIX-88	No. 2 dated December 12, 2014	14.7	6.50	6.50	0.00	5.51	Ongoing
Total				48.56	18.31	18.31	0.00	16.99	

Facilities Where Innovative Solutions Were Implemented or Pilot Operation of Such Solutions Started in the Reporting Period

Equipment, technologies, materials, systems	Details of agreements serving as the basis for development	Pattern of utilization (implementation / pilot development / utilization in activities)	Implementation facility / pilot development facility / unit using that in its activities	Results of implementation / pilot development / utilization in activities	Effect
An individual micro-processor-based (MP) protection device protecting against single phase-to-earth faults for 6-10 kV grids	Agreement with JSC REC IDGC No. 0030 dated January 31, 2012	Pilot development	Branches of JSC IDGC of Center and Volga Region	At the end of 2015 preparations for pilot operation were made. Pilot operation period: from February 1, 2016 through October 3, 2016	The effect will be assessed when the work is completed, considering amassed data
Program "Forecast of allowable overload of oil power transformers"	Agreement with FSBEI HPE Vyatka State University No. 70200007 dated December 26, 2011	Pilot development	110 kV Oktyabrskaya substation	Information on the temperature of upper levels of oil in power transformers is continuously provided for dispatch points. Overall, the software system comprises information on 52 transformers. In order to assess the provided data when ambient temperature is low and the load on transformers is heavy it was decided to extend pilot development until March 31, 2016.	The design temperature of upper levels of oil calculated using a program and measured using a temperature sensor declines by no more than 6 degrees.
Insulating cross-arms for OL 110 kV poles with an attachment fitting for insulator of cross-arm on overhead electric lines	Agreement with JSC REC IDGC No. 2/ke/2012/1990ke dated October 16, 2012	Implementation	OL Sukhodrev-Sputnik 110 kV	Pilot development results were summarized in September 2015 and were recognized as positive. It was decided to fit three poles with sets of insulating cross-arms in each of the following Branches: Vladimirenergo, Nizhnovenergo, Ryzanenergo, Tulenergo and Udmurtenergo	The use of insulating cross-arms allows increasing wire suspension height and reducing metal content of a pole. A reduction in inductive reactance of a line is also possible due to the reduction in wire spacing
A 0.95 kV innovative distribution electric	Agreement with JSC	Utilization in activities	A 0.95 kV feeder in the	The results of pilot development of the	Decrease in commercial

grid	REC IDGC No. 219-yur dated February 10, 2012		closed TSS No. 1421 in the Bogorodsky Distribution Zone of Kstov Power Grids Production Department of the Nizhnovenergo Branch	0.95 kV innovative distribution electric grid were summarized in October 2015. As the non-standard voltage of 0.95 kV was introduced, consumers were provided with higher voltage quality and transmission capacity of OL. Pilot development provided for installation of CCTS in concrete case featuring three-winding transformer with the voltage of 6/0.95/0.4 kV and the capacity of 630 kVA. Individual single-phase and three-phase transformer substations of 16 kVA and 25 kVA were installed on power transmission poles in immediate vicinity of consumers in order to transform non-standard voltage of 0.95 kV into consumers' voltage of 0.4 /0.23 kV. Panels with switching and protective devices as well as electricity meters were also mounted on the poles. In construction of innovative overhead sections of the electric line self-supporting insulated wire was used.	losses of electricity; improvement of the quality of electricity supplied to consumers; increase in the transmission capacity of lines.
A system for dynamic compensation of reactive loads in case of abrupt changes in grid loads enabling registration of changes in grid loads, compiling and downloading of event report forms	Agreement with LLC MPP Energotekhnika No. 1 dated December 13, 2011	Pilot development	110 kV Shcheglovskaya SS	Pilot development officially started on February 2, 2015, and the time frame is 1 year. The equipment at the substation was installed and set up, the cabinet was connected to grid.	Ensuring optimum automated compensation of reactive power in case of quick changes in reactive loads
A device for monitoring and protection of electrical contacts from overheating	Agreement with the Federal State-Funded Educational Institution of Higher Profession-	Pilot development	Production departments of Udmurtenergo Branch	When the agreement regarding a produced batch of devices was terminated, the pilot development was to be carried out from June 2014 through May 2015. As the results obtained in 12	The obtained device allows continuous monitoring of electrical contacts heating and changes in the form, indicating an

	<p>al Educa- tion Udmurt State Uni- versity (UdSU) No. 0358 dated December 27, 2012</p>			<p>months were ambigu- ous, which was relat- ed to the development of a technology and an optimum composi- tion formula, the peri- od of pilot develop- ment was extended until April 30, 2016.</p>	<p>increase in the heating tem- perature (in case of oxida- tion of contacts and loosening of connection)</p>
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Results of Commercialization of Copyright Obtained Following R&D Implementation in 2015

Seq. No.	Name of development protected by exclusivity documents	Details of exclusivity documents	Details of agreements serving as the basis for development	Details of license agreements/ other information on the use of exclusivity documents	Payments received, RUB million, excluding VAT
1.	Counter of transformer resource	Patent for Utility Model No. 128366 dated May 20, 2013	Agreement on Development Engineering No. 050-3830 dated December 20, 2011	License agreement with LLC Integral Self-Financing Center dated November 25, 2013 "On Granting the Right to Use Intellectual Property in Accordance with the Patent No. 128366" registered in the Federal Service for Intellectual Property (Rospatent) on May 21, 2014 No. RD0148283	0.075
2.	OL 0.4-10 kV pole, modified	Patent for Utility Model No. 140055 dated March 28, 2014	Agreement on Development Engineering No. №3/06-7 dated September 26, 2012	License agreement with Izhevsk Reinforced Concrete Plant "On Granting the Right to Use Intellectual Property in Accordance with the Patent for Utility Model No. 140055" registered in the Federal Service for Intellectual Property (Rospatent) on December 26, 2014 No. RD164636	0.109
				License agreement with Aryevsky Reinforced Concrete Plant registered in the Federal Service for Intellectual Property (Rospatent) on January 28, 2016 No. RD0190602	0.045
3.	A device for diagnostics and directional protection against single phase-to-earth faults in power grids	Patent for Utility Model No. 128027 dated May 10, 2013	Agreement on R&D No. №0030 dated January 31, 2012	License agreement with LLC RC Bresler dated September 9, 2015 No. RD181072 "On Granting the Right to Use Intellectual Property in Accordance with the Patent for Utility Model No. 128027" registered in the Federal Service for Intellectual Property (Rospatent) on September 9, 2015 No. RD181072	0.011
Total					0.240

Members of the Technical Council of the Company

Seq. No.	Name, Patronymic, Surname	Position
1.	S.T. Andrus	Head of the Technical Council - First Deputy General Director - Chief Engineer
2.	S.G. Kosterin	Deputy Head of the Technical Council - Deputy Chief Engineer for Operation
3.	V.A. Gorev	Deputy Head of the Technical Council - Deputy Chief Engineer for Reconstruction and Repairs
4.	A.Yu. Vedernikov	Deputy Director General for Service Implementation and Development
5.	Yu.A. Ignatenko	Deputy Chief Engineer for Production Control and Occupational Safety
6.	I.M. Taranov	Deputy Chief Engineer for Development and Innovations
7.	V.N. Korovin	Director of the Corporate and Technological Automated Control Systems (ACS) Department
8.	D.A. Nedorostkov	Director of the Technological Connection Department
9.	V.F. Titov	Head of the Technological Development and Innovations Department
10.	A.A. Mishanin	Head of the Operation Department
11.	A.V. Ivanov	Head of the Operating, Process and Situation Management Department
12.	A.V. Aksenov	Head of the Capital Construction Department
13.	S.A. Kovalev	Head of the Prospective Development Department
14.	E.I. Urutin	Head of the Metrology and Electricity Quality Control Department
15.	P.V. Astafyev	Head of the Occupational Safety Department
16.	A.N. Tikhov	Deputy Head of the Technological Development and Innovations Department – Head of the Innovations Management Division
17.	A.D. Dudin	Head of the Technological Development Planning Division of the Technological Development and Innovations Department
18.	O.V. Vostretsova	Head of the Quality Management Service
19.	A.N. Pavlov	First Deputy Director - Chief Engineer of Vladimirenergo Branch
20.	A.A. Sokolov	First Deputy Director - Chief Engineer of Ivenergo Branch
21.	A.N. Pukhov	Deputy Director - Chief Engineer of Kalugaenergo Branch
22.	I.V. Kaysin	First Deputy Director - Chief Engineer of Kirovenergo Branch
23.	S.V. Khlusov	First Deputy Director - Chief Engineer of Marienergo Branch
24.	M.V. Podlyagin	First Deputy Director - Chief Engineer of Nizhnovenergo Branch
25.	A.V. Latyshonok	Deputy Director - Chief Engineer of Ryazanenergo Branch
26.	I.V. Sokolov	First Deputy Director - Chief Engineer of Tulenergo Branch
27.	A.I. Vakhrushev	First Deputy Director - Chief Engineer of Udmurtenergo Branch
28.	O.A. Konorov	Secretary of the Technical Council - Chief Expert of the Technological Development Planning Division of the Technological Development and Innovations Department

Key Issues Considered at the Meeting of the Technical Council in 2015:

- 1) Preparation for and operations during the 2014-2015 autumn and winter season and summarizing the results of the 2014-2015 autumn and winter season.
- 2) Production performance.
- 3) Issues related to technological connection, changes in regulations.
- 4) Conducting Operational Officer Days and Labor Protection Days.
- 5) Implementation of target programs.
- 6) Environmental and occupational safety issues, application of rules for labor protection while operating electric installations and rules for labor protection while working at heights.
- 7) Procedure for work at OL with induced voltage.
- 8) Organization of safe work at OL and practical use of protection devices.
- 9) Implementation of the Innovative Development Program.
- 10) Drift of R&D and implementation of the development results.
- 11) Power quality control.
- 12) Tasks related to training and advanced training of personnel.
- 13) Digital radio development prospects.
- 14) Interaction with corporate training centers.
- 15) Presentations of equipment made by various manufacturers, etc.

Supplement to the Operating Performance Section

Operating Results

Analysis of operating results for 2015, mln kWh

Branch/IDGC	Business plan for 2015				Actual values in 2015				Actual/Planned values (growth rate), %			
	power output to grid	power output from grid within IDGC/DGC	losses		power output to grid	power output from grid within IDGC/DGC	losses		power output to grid	power output from grid within IDGC/DGC	losses	
			volume	% to output to grid			volume	% to output to grid			volume	% to output to grid
Vladimirenergo	5,850	5,265	586	10.01	5,805	5,226	579	9.98	-0.8	-0.7	-1.1	0.0
Ivenergo	2,874	2,747	127	4.43	2,896	2,775	121	4.18	0.8	1.0	-5.0	-0.3
Kalugaenergo	4,809	4,128	681	14.16	4,839	4,155	685	14.15	0.6	0.6	0.6	0.0
Kirovenergo	5,437	5,082	355	6.53	5,471	5,122	348	6.37	0.6	0.8	-1.9	-0.2
Marienergo	2,043	1,866	178	8.69	2,125	1,948	176	8.29	4.0	4.4	-0.8	-0.4
Nizhnovenergo	14,472	12,760	1,712	11.83	14,503	12,788	1,715	11.83	0.2	0.2	0.2	0.0
Ryazanenergo	4,279	4,007	272	6.35	4,328	4,056	272	6.29	1.1	1.2	0.1	-0.1
Tulenergo	5,840	5,280	560	9.59	5,883	5,319	563	9.58	0.7	0.7	0.6	0.0
Udmurtenergo	7,592	7,197	395	5.20	7,687	7,287	399	5.20	1.2	1.3	1.1	0.0
Total for PJSC IDGC of Center and Volga Region	53,197	48,332	4,865	9.15	53,535	48,676	4,860	9.08	0.6	0.7	-0.1	-0.1

Data on Implementation of the Consolidation Program by Company Branches

Subsidiary and dependent companies (branches of FGC UES/IDGC and subsidiary and dependent companies of IDGC)	2013					2014					2015				
	Consolidation of power grid assets for the period			Amount of financing for the period	Number of transactions	Consolidation of power grid assets for the period			Amount of financing for the period	Number of transactions	Consolidation of power grid assets for the period			Amount of financing for the period	Number of transactions
	MVA	km	conventional units	RUB mln, including VAT	pcs.	MVA	KM	conventional units	RUB mln, including VAT	pcs.	MVA	km	conventional units	RUB mln, including VAT	pcs.
PJSC IDGC of Center and Volga Region	561.9	2,319.0	14,167.7	124.9	52	366.8	1,451.0	11,198.5	124.4	26	388.8	1,712.8	11,818.9	140.7	49
Purchase of power grid facilities	18.79	135.66	726.65	28.09	37	0.60	6.04	16.84	0.57	4	9.71	138.69	344.15	8.33	9
Lease of power grid facilities	540.38	2,168.03	13,370.54	96.80	11	360.67	1,403.78	11,052.35	123.85	10	375.36	1,559.01	11,405.40	132.16	32
Other (permanent rights of ownership and use)	0.25	6.83	26.10	0.04	1	3.0	32.7	85.0	0.0	9	1.22	6.64	24.96	0.17	5
Other (temporary rights of ownership and use)	2.51	8.48	44.37	0.00	3	2.51	8.48	44.37	0.00	3	2.51	8.48	44.37	0.00	3
Vladimirenergo Branch	0.3	24.4	65.0	3.4	5	1.0	34.3	88.8	0.0	4	4.8	88.5	250.0	2.0	21
Purchase of power grid facilities	0.0	17.5	38.9	3.3	4	0.0	0.0	0.0	0.0	0	0.2	2.6	9.9	0.4	2
Lease of power grid facilities	0.0	0.0	0.0	0.0	0	1.0	34.3	88.8	0.0	4	4.1	82.9	231.1	1.5	18
Other (permanent rights of ownership and use)	0.3	6.8	26.1	0.0	1	0.0	0.0	0.0	0.0	0	0.5	3.1	9.0	0.1	1
Other (temporary rights of ownership and use)	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0
Ivenergo Branch	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0
Purchase of power grid facilities	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0
Lease of power grid facilities	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0
Other (permanent rights of ownership and use)	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0

Other (temporary rights of ownership and use)	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0
Kalugaenergo Branch	350.2	1,371.9	10,984.2	83.8	5	341.7	1,335.9	10,569.8	106.1	10	339.0	1,304.9	10,495.6	130.0	2
Purchase of power grid facilities	11.4	68.8	497.1	9.0	4	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0
Lease of power grid facilities	338.8	1,303.1	10,487.1	74.8	1	338.8	1,303.1	10,487.1	106.1	1	338.8	1,303.1	10,487.1	130.0	1
Other (permanent rights of ownership and use)	0.0	0.0	0.0	0.0	0	2.9	32.7	82.7		9	0.2	1.8	8.5	0.0	1
Other (temporary rights of ownership and use)	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0
Tulenergo Branch	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0
Purchase of power grid facilities	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0
Lease of power grid facilities	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0
Other (permanent rights of ownership and use)	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0
Other (temporary rights of ownership and use)	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0
Ryazanenergo Branch	0.4	1.3	6.3	0.4	3	0.0	1.0	1.1	0.1	1	0.5	1.1	10.4	0.6	3
Purchase of power grid facilities	0.4	0.3	5.2	0.4	2	0.0	1.0	1.1	0.1	1	0.5	1.1	10.4	0.6	3
Lease of power grid facilities	0.0	1.0	1.1	0.0	1	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0
Other (permanent rights of ownership and use)	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0
Other (temporary rights of ownership and use)	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0
Nizhnovenergo Branch	151.3	840.2	2,579.2	21.2	4	0.0	0.0	0.0	17.6	0	20.0	236.6	514.0	7.2	8
Purchase of power grid facilities	0.6	3.2	12.0	0.1	3	0.0	0.0	0.0	0.0	0	8.4	131.6	307.0	6.9	1
Lease of power grid facilities	150.7	837.0	2,567.2	21.1	1	0.0	0.0	0.0	17.6	0	11.6	105.0	207.0	0.2	7
Other (permanent rights of ownership and use)	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0

Other (temporary rights of ownership and use)	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0
Kirovenergo Branch	55.0	42.1	416.8	14.9	16	0.4	3.7	13.8	0.4	3	0.5	4.2	12.4	0.1	5
Purchase of power grid facilities	5.0	41.4	146.5	14.0	14	0.4	3.0	10.3	0.3	2	0.0	0.0	0.0	0.0	0
Lease of power grid facilities	50.0	0.0	269.2	0.9	1	0.0	0.0	0.0	0.1	0	0.0	1.7	3.8	0.0	1
Other (permanent rights of ownership and use)	0.0	0.0	0.0	0.0	0	0.1	0.0	2.3		0	0.5	1.8	7.4	0.1	3
Other (temporary rights of ownership and use)	0.0	0.7	1.2	0.0	1	0.0	0.7	1.2	0.0	1	0.0	0.7	1.2	0.0	1
Marienergo Branch	1.3	3.9	22.3	0.9	9	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0
Purchase of power grid facilities	1.3	3.9	22.3	0.9	9	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0
Lease of power grid facilities	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0
Other (permanent rights of ownership and use)	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0
Other (temporary rights of ownership and use)	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0
Udmurtenergo Branch	3.5	35.2	93.8	0.3	10	23.6	76.2	525.0	0.2	8	24.1	77.5	536.5	0.8	10
Purchase of power grid facilities	0.1	0.6	4.7	0.3	1	0.3	2.1	5.4	0.1	1	0.7	3.4	16.9	0.3	3
Lease of power grid facilities	0.9	26.9	45.9	0.0	7	20.9	66.3	476.4	0.1	5	20.9	66.3	476.4	0.5	5
Other (permanent rights of ownership and use)	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0
Other (temporary rights of ownership and use)	2.5	7.8	43.2	0.0	2	2.5	7.8	43.2	0.0	2	2.5	7.8	43.2	0.0	2
CJSC Svet	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0
Purchase of power grid facilities	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0
Lease of power grid facilities	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0
Other (permanent rights of ownership and use)	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0

Other (temporary rights of ownership and use)	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0
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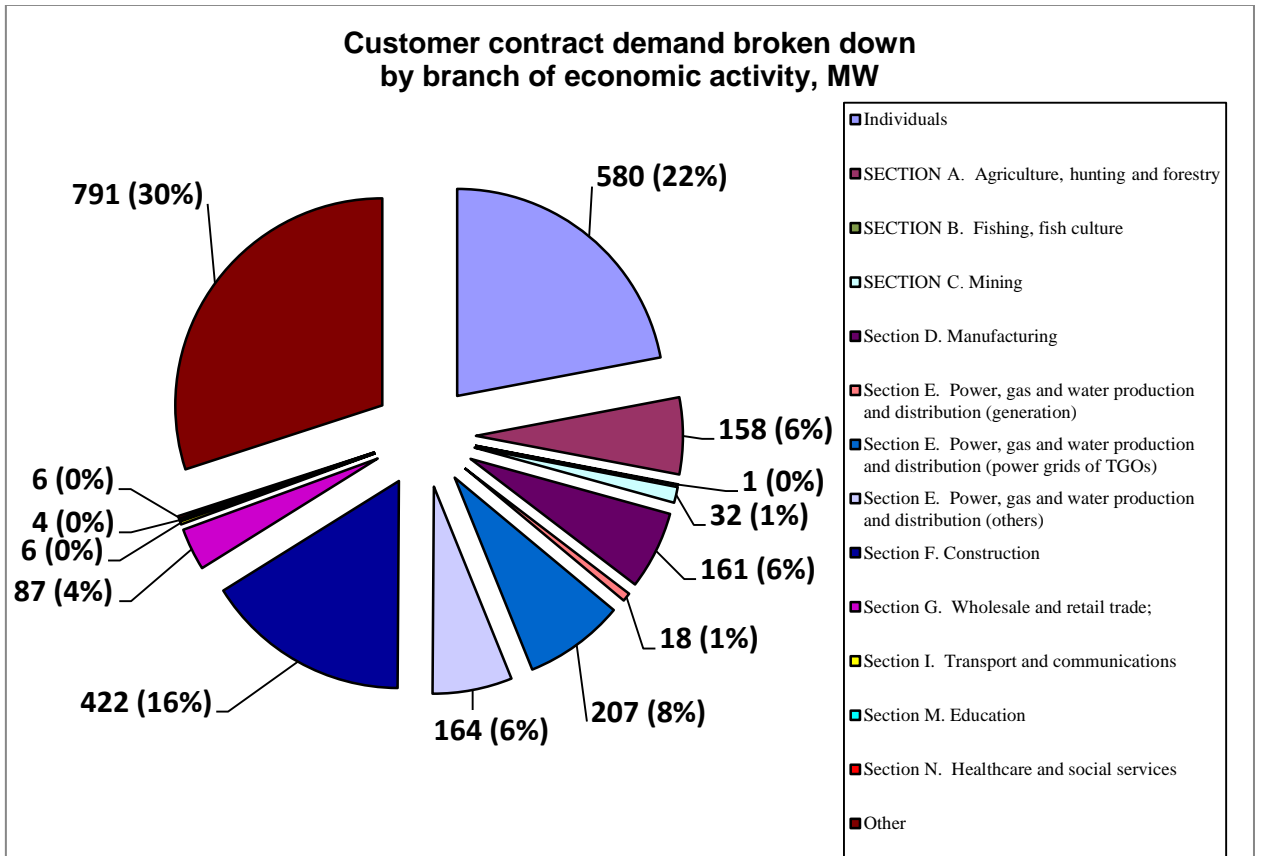
Technological Connection to Grids

Customer contract demand and number of applications for technological connection of power receivers by branches, for 5 years*

Branch										
	2011		2012		2013		2014		2015	
	number of applications, pcs.	total capacity of applications, MW	number of applications, pcs.	total capacity of applications, MW	number of applications, pcs.	total capacity of applications, MW	number of applications, pcs.	total capacity of applications, MW	number of applications, pcs.	total capacity of applications, MW
Vladimirenergo	4,948	177.97	5,362	202.62	5,792	230.29	6,374	373.74	6,071	249.84
Ivenergo	1,730	57.55	2,101	61.72	1,888	100.13	1,708	111.41	1,655	120.00
Kalugaenergo	8,662	288.27	10,158	423.21	11,680	680.02	12,474	791.10	10,759	572.58
Kirovenergo	5,451	112.37	5,338	134.49	6,844	132.53	5,845	157.17	5,136	178.65
Marienergo	1,882	31.47	2,010	36.04	2,513	64.17	2,840	64.55	2,387	66.52
Nizhnovenergo	13,851	531.08	14,165	546.00	16,969	914.53	15,876	1,014.84	14,300	694.76
Ryazanenergo	3,266	96.71	3,975	165.26	4,042	224.4	4,675	256.30	3,683	112.25
Tulenergo	6,634	292.78	8,764	331.4	10,558	560.07	11,823	553.65	12,077	469.27
Udmurtenergo	3,820	131.21	4,414	159.92	5,314	189.83	4,616	163.50	4,527	153.77
Total for the Company	50,244	1,719.41	56,287	2,060.66	65,600	3,095.97	66,231	3,486.25	60,595	2,617.64

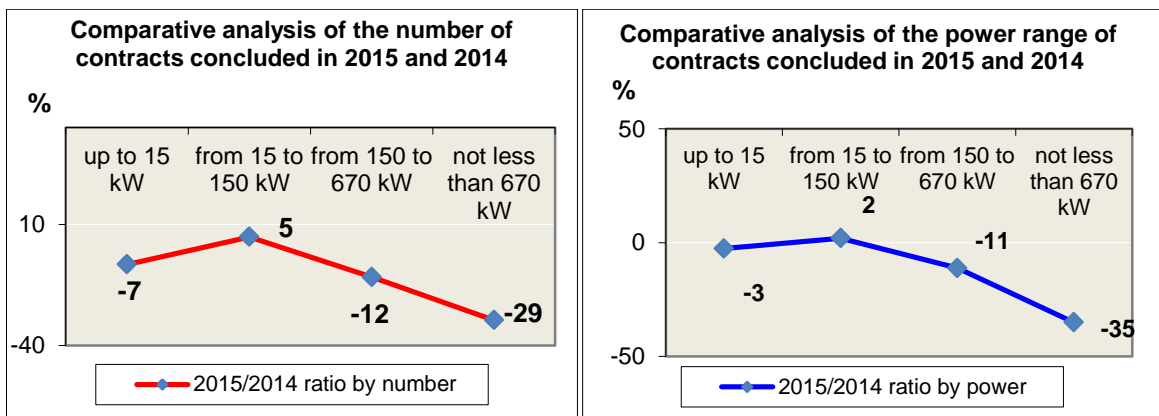
* The information in the table does not include applications for generation and temporary technological connection.

Customer Contract Demand Broken down by Branch of Economic Activity in 2015



The "Industry" includes the power of generating facilities (without temporary technological connection). The volume of customer contract demand is broken down by industry with allowance for carry-over applications from 2014.

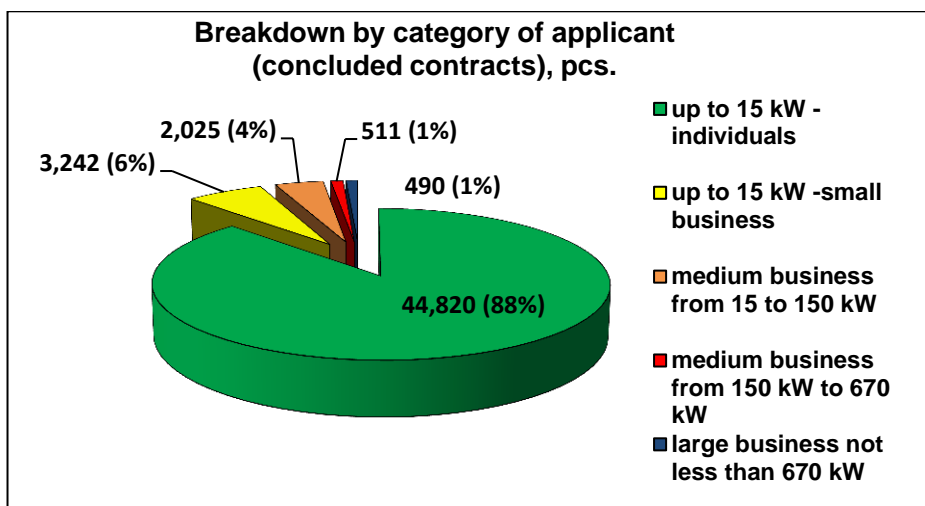
A comparative analysis of the number and power range of concluded contracts by connection category is shown in the following diagrams.



The information in the diagrams does not include generation contracts and temporary technological connection.

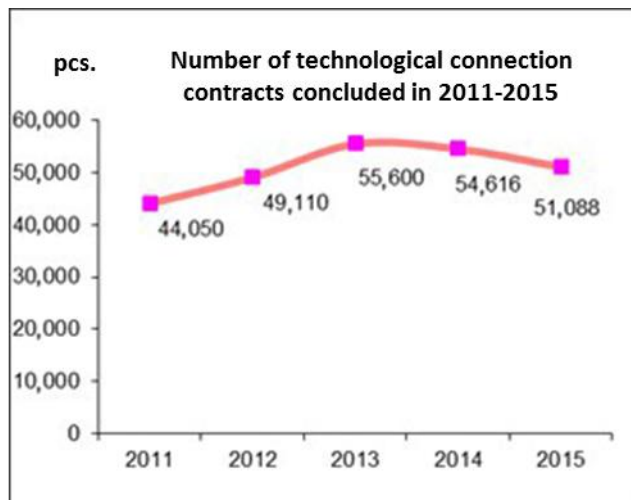
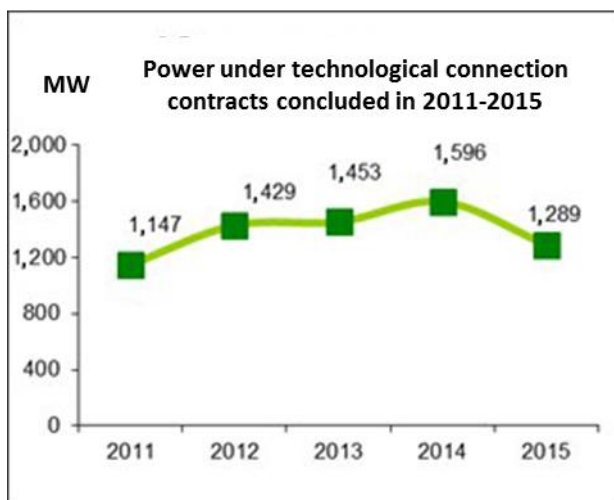
The comparative analysis of changes in the number and power range of connection contracts concluded in 2015 as compared to 2014 shows that the greatest changes (increase) are attributable to the category of 'from 15 to 150 kW'.

The number of technological connection contracts concluded in 2015 broken down by connection category is shown in the following diagram.



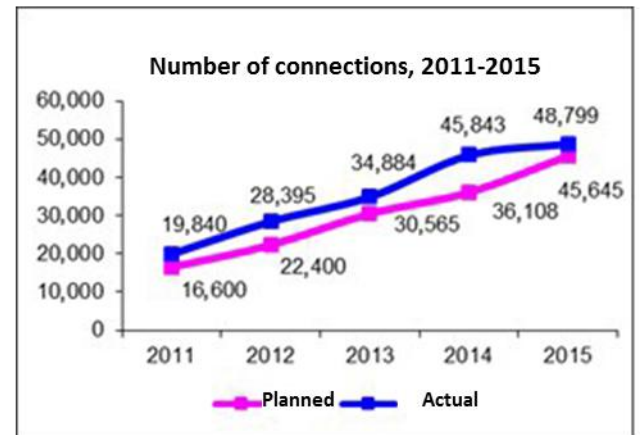
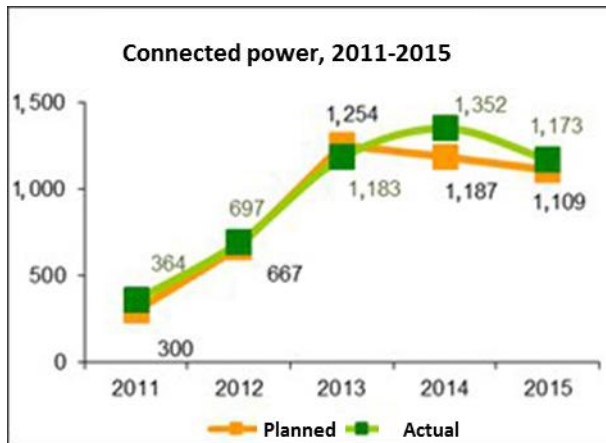
The information in the diagram does not include generation contracts and temporary technological connection.

Trends in changes in the number of concluded technological connection contracts and their power range over 5 years



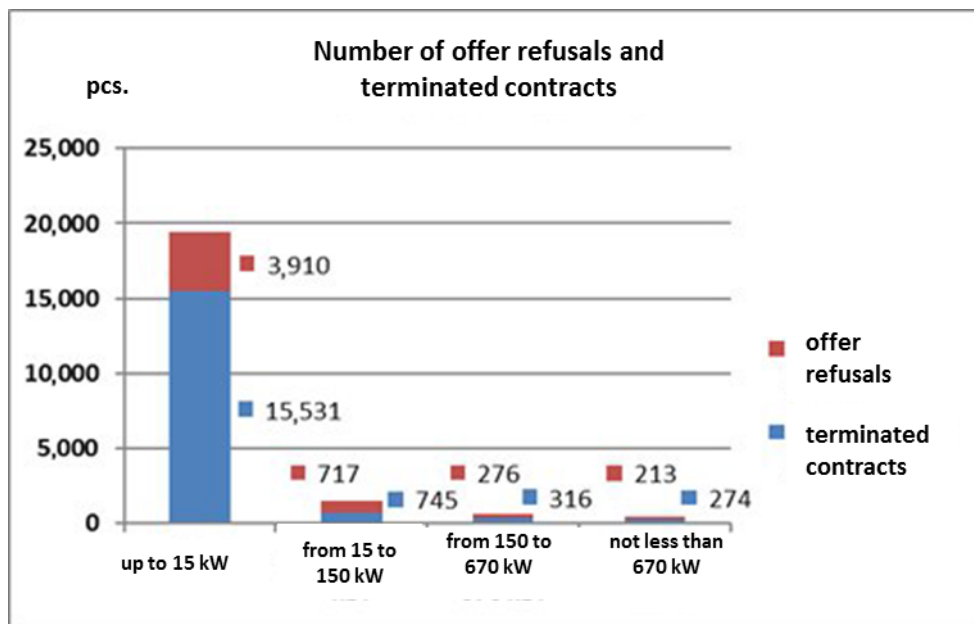
The information in the charts does not include generation contracts and temporary technological connection.

Data on achievement of target volumes of technological connection for 5 years (including generation facilities and temporary technological connection)



Data on terminated contracts and refused offers

The trend of contract termination and offer refusals by applicants remained during the reporting period.



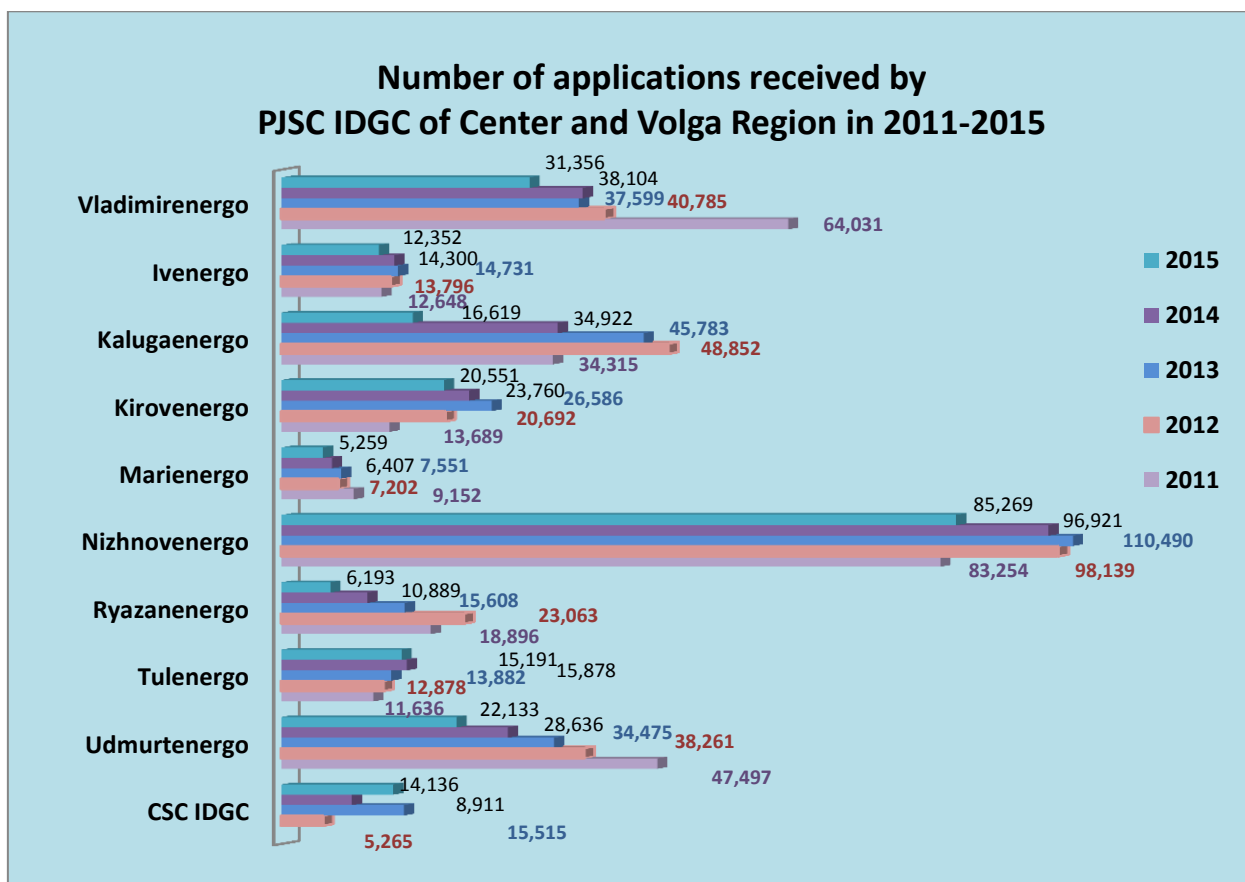
The total number of contracts terminated in 2015 (including generating contracts and excluding temporary technological connection contracts) was 16,866.

The total number of offer refusals by applicants in 2015 was 5,116.

Most refused offers and terminated contracts for technological connection are attributable to the category of 'up to 15kW'.

Number of applications received by PJSC IDGC of Center and Volga Region in 2011-2015

In 2011-2015, PJSC IDGC of Center and Volga Region showed a steady decrease in the number of applications from service consumers. Over the course of 5 years, the total number of applications decreased by 22.38% (in 2011, there were 295,118 applications, in 2015 - 229,059).



The decrease in the number of applications is driven by the optimization of the Company's services and concentrated efforts to decrease the number of consumers' visits to the Consumer Service Offices in the course of technological connection. It is also promoted by development of the consumer information system, provision of detailed and comprehensive information on the corporate website and the websites of branches as well as in the federal and regional print and electronic media.

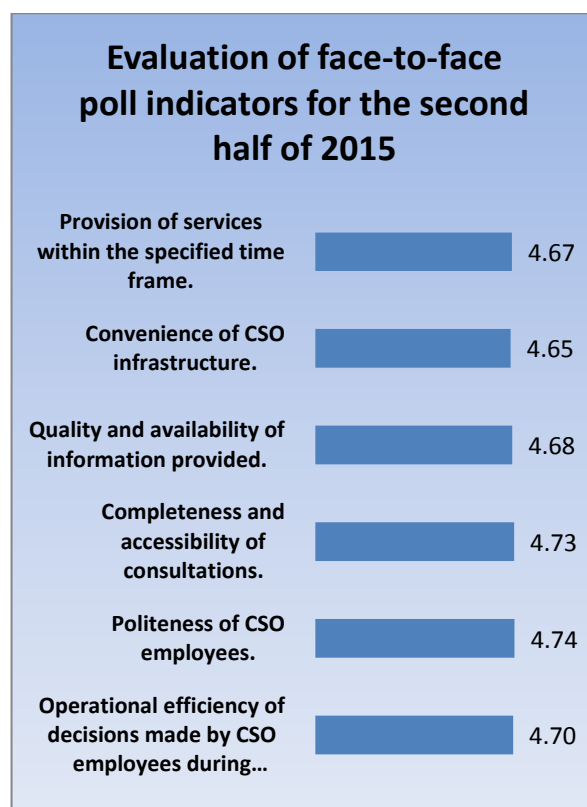
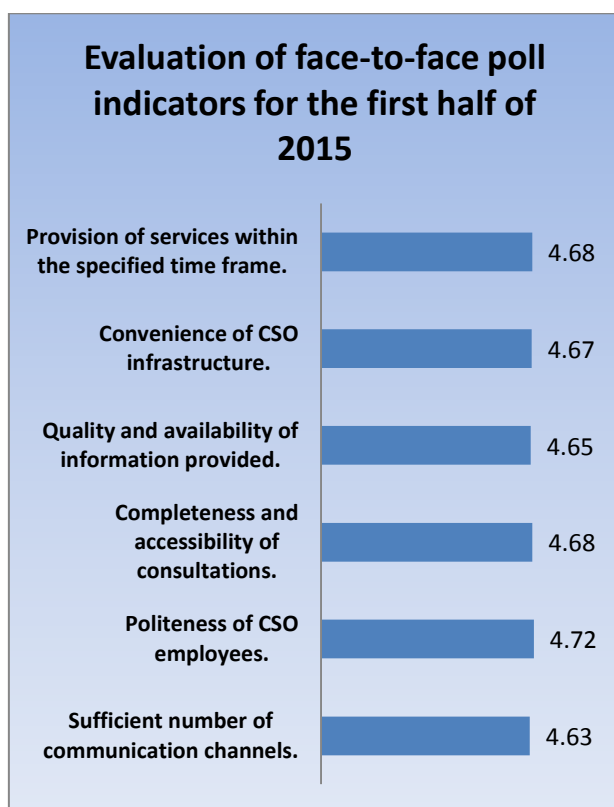
Results of Face-to-Face and Interactive Polls of Customers of PJSC IDGC of Center and Volga Region

With a view to studying the level of customer satisfaction with the quality of service in PJSC IDGC of Center and Volga Region, the Company regularly carried out polls of customers. The primary objective of these surveys is to obtain first-hand information on the quality of consumer service.

Customer satisfaction is evaluated using two criteria: significance of particular attributes and level of satisfaction with them.

Face-to-face polls were focused on evaluation of service quality in Consumer Service Offices. In 2015, the Company conducted a poll of 1,651 customers who reported to the Consumer Service Offices (CSO). The average score was 4.68. The highest score was recorded for such indicators as "politeness of CSO

employees" (average annual score - 4.73) and "completeness, sufficiency and availability of information" (4.70). At the same time, these indicators were singled out as the most important.

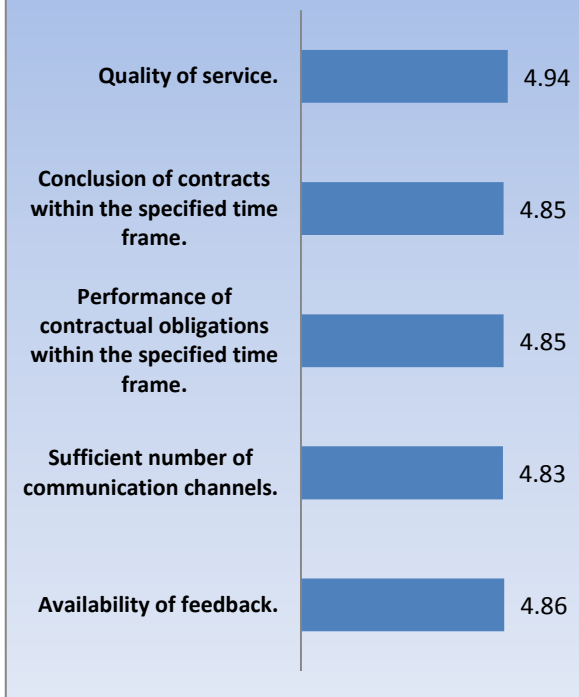


Moreover, the Company carried out an interactive poll of 150 service consumers via the websites of branches. This poll was aimed at evaluation of the quality of consumer services.

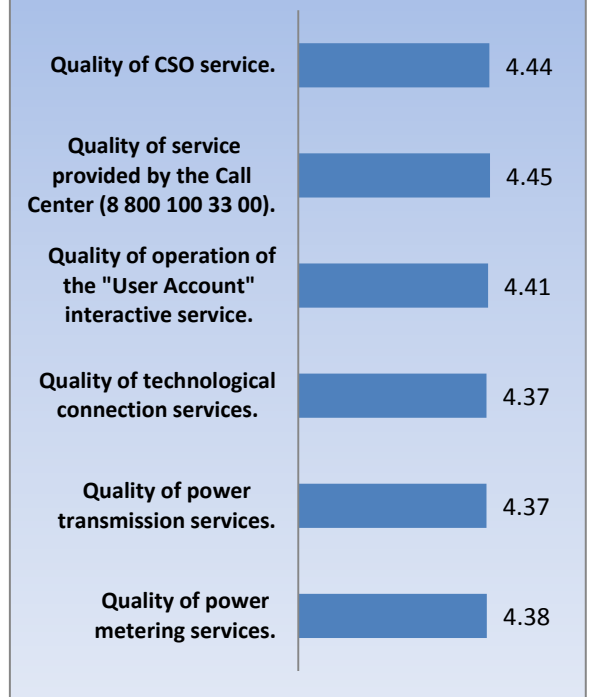
The results of the interactive poll demonstrate that two of the most significant consumer service indicators are "availability of feedback (quality and availability of information about the Company's services)" (average annual score - 4.91) and "performance of contractual obligations within the specified time frame" (average annual score - 4.86)

The highest score was recorded for "quality of service" (average annual score - 4.94).

Evaluation of interactive poll indicators for the first half of 2015

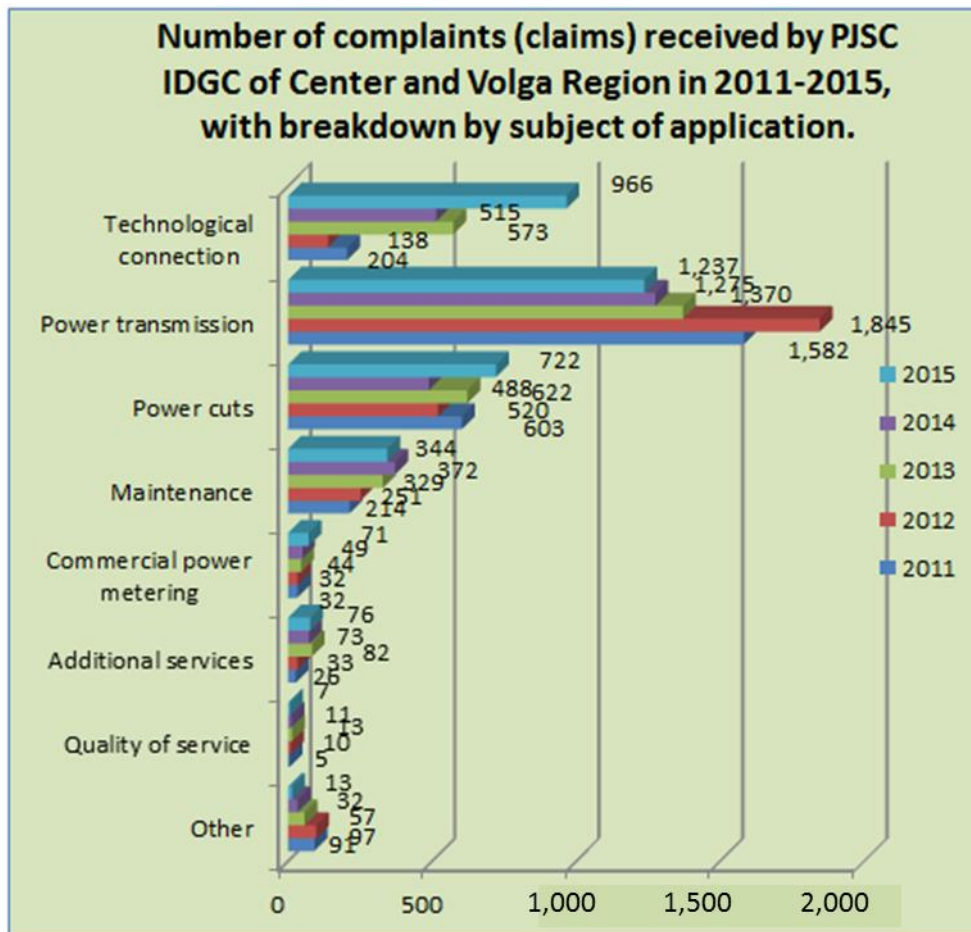


Evaluation of interactive poll indicators for the second half of 2015



Dealing with Consumer Complaints

The overview of complaints received by PJSC IDGC of Center and Volga Region in 2011-2015 is shown in the diagram below, with breakdown by subject of application.



In 2015, PJSC IDGC of Center and Volga Region received 3,436 complaints (claims).

The main subjects of claims and complaints received from 2011 through 2015 were still connected with power (transmission) quality. At the same time, the number of complaints about power quality decreased as compared to 2014. The number of complaints about technological connection increased. This was caused by active measures to enhance the Company's transparency and simplify the process of applying to the grid company via the "User Account" and the "Internet Consulting Room" services on the Company's websites or in person, as well as by legislative changes in the conditions of submission of applications by owners of power receivers located in gardening areas.

Supplement to the Sustainable Development Section

Data on Participation in Commercial Entities with the Share under 50%

As of December 31, 2015

Data on participation in joint-stock companies

Type of investment: uncertified registered ordinary shares. Location: Russian Federation.

Seq No.	Full and abbreviated name of JSC	Main activities	Authorized capital, RUB	Share of the Com- pany in the authorized capital of JSC, %	% of voting shares owned by the Company
1.	Joint Stock Company of Power Industry and Electri- fication Test Stand of Iva- novo SDPS (JSC Stand)	Performance of pre-delivery and acceptance tests of pilot and production gas-turbine en- gines GTD-110 and their modifications. Production and sales of electric energy. Operation of power-generating equipment in accordance with normative requirements, performance of timely and high-quality re- pairs of power-generating equipment, tech- nical reequipment	246,951,432.96	1.38	1.38
2.	Public Joint Stock Compa- ny RAO Energy Systems of East (PJSC RAO Energy Systems of East)	Activities related to the generation of elec- tricity and/or capacity. Activities related to the supply (sale) and/or purchase of capacity in the wholesale elec- tricity (capacity) market. Activities related to the supply (sale) of elec- tricity (capacity) in the retail electricity (ca- pacity) market	22,716,986,149	0.0046	0.0048

3.	Public Joint Stock Company Russian Grids (PJSC Russian Grids)	Exercising the rights of the shareholder (participant) of business companies in which the Company owns stock (shares). Exercising the powers of executive bodies in stock and other business companies, as stipulated by the legislation and the agreements concluded	163,154,002,694	0.0013	0.0013
4.	Public Joint Stock Company Inter RAO UES (PJSC Inter RAO)	Production of electric and heat power. Maintenance of operability of electric and heat networks. Supply (sales) of electric and heat power. Activities related to receiving (purchasing) electricity in the wholesale electricity (capacity) market	293,339,674,800	0.0016	0.0016
5.	Public Joint Stock Company Second Generating Company of Wholesale Market of Electric Energy (PJSC WGC-2)	Production of electric and heat power and/or capacity. Activities related to the supply (sale) of electric and heat power and/or capacity. Activities related to receiving (purchasing) electric and heat power (capacity)	40,057,009,047.549	0.0018	0.0018
6.	Joint Stock Company E.ON Russia (JSC E.ON Russia)	Production of electric and heat power and capacity. Supply (sale) of electricity and capacity, including in the wholesale electricity (capacity) market. Supply (sales) of heat and utilities. Receiving (purchasing) electricity and capacity in the wholesale electricity (capacity) market	25,219,482,458.37	0.0034	0.0034
7.	Public Joint Stock Company Federal Hydro Generat-	Activities related to the generation of electricity and/or capacity.	386,255,464,890	0.0019	0.0019

	ing Company- RusHydro (PJSC RusHydro)	Activities related to the supply (sale) and/or purchase of electricity in the wholesale electricity and capacity market. Activities related to the supply (sale) and/or purchase of capacity in the wholesale electricity and capacity market. Activities related to the supply (sale) of electricity (capacity) in retail electricity (capacity) markets			
8.	Public Joint Stock Company Enel Russia (PJSC Enel Russia)	Power and heat production. Supply (sales) of electricity and heat. Receiving (purchasing) electricity and heat in the wholesale electricity (capacity) market	35,371,898,370	0.0024	0.0024
9.	Joint Stock Company Territorial Generating Company No. 1 (JSC TGC-1)	Power and heat production. Supply (sales) of electricity and heat. Receiving (purchasing) electricity and heat (capacity). Transmission of heat and heat carrier	38,543,414,165.714	0.0021	0.0021
10.	Public Joint Stock Company of Power Industry and Electrification Mosenergo (PJSC Mosenergo)	Power and heat production. Supply (sales) of electricity and heat. Receiving (purchasing) electricity and heat (capacity)	39,749,359,700	0.0018	0.0018
11.	Public Joint Stock Company T Plus (PJSC T Plus)	Power and heat production. Supply (sales) of electricity and heat. Receiving (purchasing) electricity and heat in the wholesale electricity (capacity) market	44,462,846,593	0.0022	0.0022
12.	Joint Stock Company Territorial Generating Company No. 2 (JSC TGC-2)	Supply (sales) of electricity and heat. Receiving (purchasing) electricity and heat in the wholesale electricity (capacity) market.	14,749,023,899.31	0.00183	0.00185

		Power and heat production			
13.	Public Joint Stock Company Federal Grid Company of Unified Energy System (PJSC FGC UES)	Services for electricity transmission and distribution. Services for connection to power grids	637,332,661,531.5	0.0016	0.0016
14.	Public Joint Stock Company Quadra – Power Generation (PJSC Quadra – Power Generation)	Power and heat production. Heat supply. Transportation of heat energy. Sales of electricity (capacity). Receiving (purchasing) electricity (capacity) in the wholesale electricity (capacity) market	19,877,785,165.97	0.00166	0.00173
15.	Public Joint Stock Company Territorial Generating Company No. 14 (PJSC TGC-14)	Supply (sales) of electricity and heat. Receiving (purchasing) electricity and heat in the wholesale electricity (capacity) market. Power and heat production	1,357,945,609.11	0.0015	0.0015

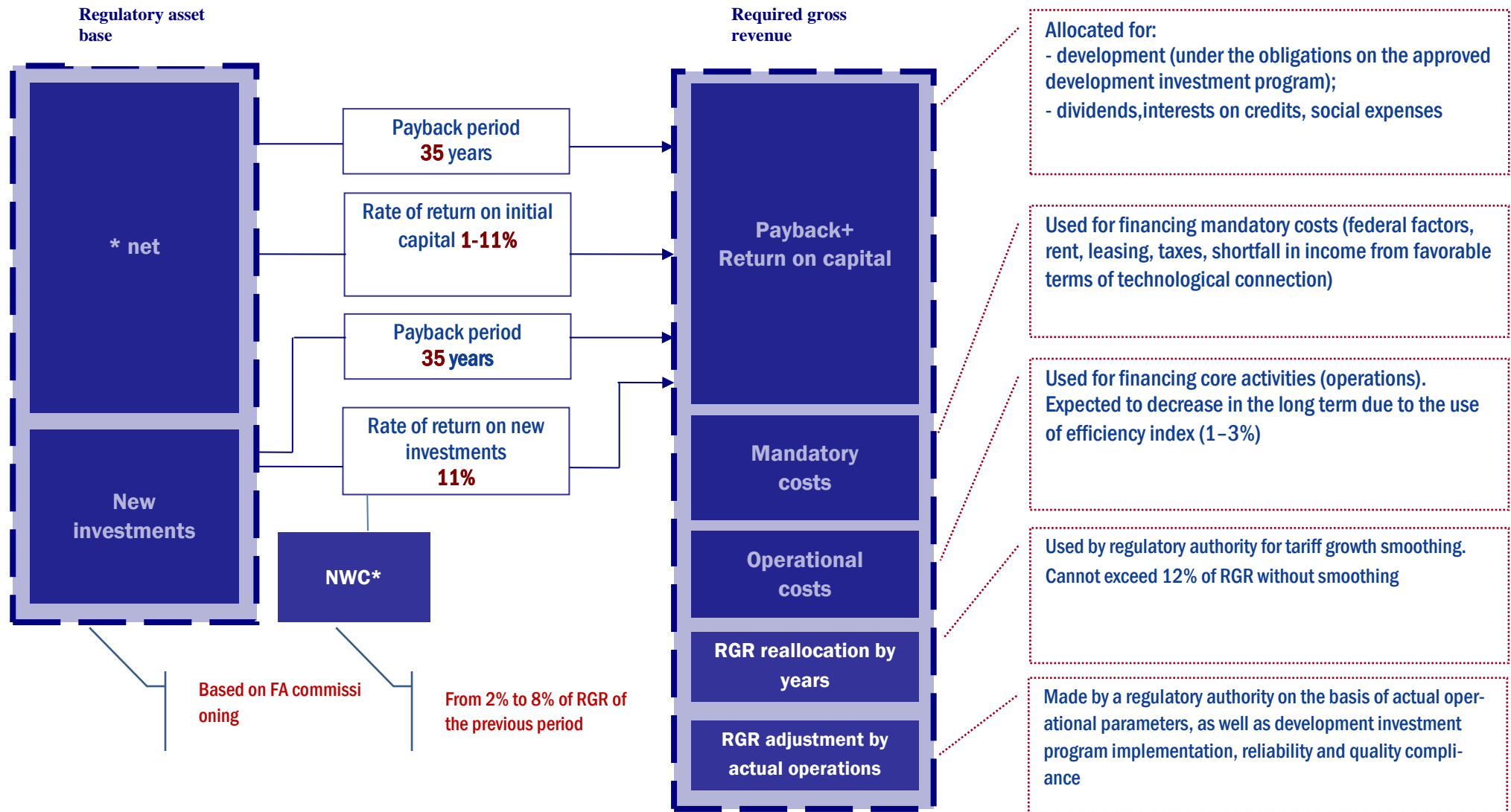
Tariff Policy

Existing long-term RAB parameters for JSC IDGC of Center and Volga Region branches in accordance with decisions of regulatory authorities of Russian regions

Name of branch, details of RTS decision	Year	Basic level of operational costs (as revised in accordance with the Decree of the Russian Government No. 750 dated July 31, 2014), RUB mln	Operational costs efficiency index, %	Amount of invested capital, RUB mln	Net working capital, RUB mln	Rate of return on invested capital	
						on the capital invested prior to RAB-based regulation, %	on the capital generated after transition to RAB-based regulation, %
Vladimirenergo	2015	1,186.248	1.13%	6,877.7	97.19	1%	11%
	2016	1,186.248	1.13%	6,877.7	111.01	4%	11%
	2017	1,186.248	1.13%	6,877.7	121.81	11%	11%
Ivenergo	2015	703.86	3%	3,847.00	114.136	1%	11%
	2016	703.86	3%	3,847.00	120.071	1%	11%
	2017	703.86	3%	3,847.00	126.314	11%	11%
Kalugaenergo	2015	994.878	1%	9,461.881	179.843	1%	11%
	2016	994.878	1%	9,461.881	189.194	1%	11%
	2017	994.878	1%	9,461.881	199.033	11%	11%
Kirovenergo	2015	1,594.79	1.5%	4,942.65	91.85	6.0%	11.0%
	2016	1,594.79	1.5%	4,942.65	102.01	4.0%	11.0%
	2017	1,594.79	1.5%	4,942.65	107.31	11.0%	11.0%
Marienergo	2015	536.818	1%	2,494.232	167.043	11%	11%

	2016	536.818	1%	2,494.232	187.202	11%	11%
	2017	536.818	1%	2,494.232	203.880	11%	11%
Nizhnovenergo	2015	4,554.61	3%	31,093.84	1,161.29	1%	11%
	2016	4,554.61	3%	31,093.84	1,293.95	4%	11%
	2017	4,554.61	3%	31,093.84	1,434.15	11%	11%
Ryazanenergo	2015	960.07	1%	5,712.72	357.40	1%	11%
	2016	960.07	1%	5,712.72	393.86	1%	11%
	2017	960.07	1%	5,712.72	448.77	11%	11%
Tulenergo	2015	1,480.03	2.5%	8,813.00	449.57	11%	11%
	2016	1,480.03	2.5%	8,813.00	472.94	11%	11%
	2017	1,480.03	2.5%	8,813.00	497.54	11%	11%
Udmurtenergo	2015	1,381.113	1%	3,876.13	334.94	3%	11%
	2016	1,381.113	1%	3,876.13	360.94	3%	11%
	2017	1,381.113	1%	3,876.13	387.18	11%	11%

RAB-based method: the structure of the required gross revenue



* Net working capital required for regulated activities without cash shortages.

Report on Compliance with Principles of the Code of Corporate Governance

Seq. No.	Corporate governance principles	Criteria for assessment of compliance with corporate governance principle	Status* of compliance with corporate governance principle	Explanations** concerning deviation from criteria for assessment of compliance with corporate governance principle
1.1.	The Company should treat all shareholders equally and fairly when they exercise their right to participate in the management of the Company			
1.1.1.	The Company creates most favorable conditions for its shareholders' participation in the General Shareholders Meeting, development of an informed opinion on issues on the agenda of the General Shareholders Meeting and coordination of their actions, and gives them an opportunity to express their opinion on issues addressed	<p>1. The internal document of the Company adopted by the General Shareholders Meeting and prescribing the procedures for conducting the General Shareholders Meeting is in public access.</p> <p>2. The Company provides accessible ways of communication with the Company, such as a hotline, emailing or an Internet forum, that allow shareholders to express their opinion and submit their questions concerning the agenda during the process of preparation for the General Shareholders Meeting. Actions in question had been taken by the Company before every General Shareholders Meeting that took place in the reporting period</p>	<input checked="" type="checkbox"/> – complies <input type="checkbox"/> – partially complies <input type="checkbox"/> – does not comply	
1.1.2.	The procedure for notifying of a General Shareholders Meeting and providing materials for the meeting enables the shareholders to prepare for it properly	<p>1. Notification of the General Shareholders Meeting is published on the website at least 30 days before its date.</p> <p>2. Notification of the General Shareholders Meeting states where it is to be held and the documents needed in order to enter the premises.</p> <p>3. Access to information concerning persons that had proposed issues on the agenda and candidates for the Board of Directors and the Audit Commission was provided to shareholders</p>	<input checked="" type="checkbox"/> – complies <input type="checkbox"/> – partially complies <input type="checkbox"/> – does not comply	
1.1.3.	Over the course of preparation for and holding of the General	1. During the reporting period, shareholders were provided with opportunities to pose ques-	<input type="checkbox"/> – complies	Point 3 – Position of the Board of Directors (as well as differing views included in the minutes) on each issue on the agenda of

	Shareholders Meeting, shareholders had the opportunity to receive information about and materials for the General Shareholders Meeting, pose questions to executive bodies and members of the Board of Directors of the Company, and communicate with each other	<p>tions to members of executive bodies and the Board of Directors of the Company before and during the holding of the Annual General Shareholders Meeting.</p> <p>2. Position of the Board of Directors (as well as differing views included in the minutes) on each issue on the agenda of General Shareholders Meetings held during the reporting period was included in the materials for the General Shareholders Meeting.</p> <p>3. The Company provided authorized shareholders with access to the list of persons eligible for participation in the General Shareholders Meeting, starting with the date of its obtainment by the Company, in all instances when General Shareholders Meetings were held in the reporting period</p>	<input checked="" type="checkbox"/> – partially complies <input type="checkbox"/> – does not comply	<p>General Shareholders Meetings held during the reporting period – was not included in the materials for the General Shareholders Meeting.</p> <p>Since the issue of establishing "the list of information (materials) provided to shareholders in preparation for the General Shareholders Meeting and the procedure for familiarizing shareholders with the above-mentioned information" is within the competence of the Board of Directors of the Company, this information will be included in the materials for the General Shareholders Meeting in case of approval by the Board of Directors</p>
1.1.4.	Implementation of the shareholders' rights to call for a General Shareholders Meeting, propose candidates for management bodies and motions to be included on the agenda of the General Shareholders Meeting did not entail unjustified difficulties	<p>1. In the reporting period, for at least 60 days after the end of the corresponding calendar year, shareholders had the opportunity to propose motions to be included on the agenda of the Annual General Shareholders Meeting.</p> <p>2. In the reporting period the Company did not refuse to include motions on the agenda or candidates for membership in the Company's bodies due to misprints or other minor shortcomings in the shareholder's proposition</p>	<input checked="" type="checkbox"/> – complies <input type="checkbox"/> – partially complies <input type="checkbox"/> – does not comply	
1.1.5.	All shareholders could freely exercise their right to vote in the way that was the easiest and most convenient for them	1. The internal document (internal policy) of the Company contains provisions according to which each member of the General Shareholders Meeting is able to request a copy of the ballot that they completed, certified by the Company's Counting Commission, before the end of the General Shareholders Meeting	<input checked="" type="checkbox"/> – complies <input type="checkbox"/> – partially complies <input type="checkbox"/> – does not comply	
1.1.6.	The order of conduct of the General Shareholders Meeting established by the Company provides everyone present with equal opportunity to express their opinion and ask questions on matters of their concern	<p>1. General Shareholders Meetings held in the form of a meeting (joint presence of shareholders) in the reporting period provided sufficient time for reports on issues on the agenda and discussion of these issues.</p> <p>2. Candidates for the management and control bodies of the Company answered questions posed by shareholders at the meeting when they were nominated for a vote.</p>	<input type="checkbox"/> – complies <input checked="" type="checkbox"/> – partially complies <input type="checkbox"/> – does not comply	<p>Point 3 – While making decisions related to preparation for and holding of General Shareholders Meetings, the Board of Directors did not address the issue of the use of telecommunications to provide shareholders with remote access to participate in General Meetings in the reporting period.</p> <p>The use of telecommunications to provide shareholders with remote access to participate in General Meetings is not set out by the Company's Articles of Association and will be considered following the adoption of appropriate amendments to the</p>

		3. While making decisions related to preparation for and holding of General Shareholders Meetings, the Board of Directors addressed the issue of the use of telecommunications to provide shareholders with remote access to participate in General Meetings in the reporting period.		Articles of Association
1.2.	The shareholders should be given equal and equitable opportunities to receive a share of the company's profits by receiving dividends			
1.2.1.	The Company developed and implemented a transparent and clear mechanism to determine the amount of dividends and their payment	1. The Company developed and disclosed the dividend policy approved by the Board of Directors. 2. If the Company's dividend policy uses reporting figures of the Company to determine the amount of dividends, consolidated financial statements are used in relevant provisions	<input type="checkbox"/> – complies <input checked="" type="checkbox"/> – partially complies <input type="checkbox"/> – does not comply	Point 2 – The Company's dividend policy uses reporting figures of the Company to determine the amount of dividends. Consolidated financial statements are not used in relevant provisions. There is no intention to make amendments to the dividend policy of the Company
1.2.2.	The Company does not take a decision to make dividend payments if this decision, though officially not violating restrictions established by law, is economically unjustified and may lead to misconceptions about the Company's business	1. The Company's dividend policy sets out a list of financial/economic circumstances under which the Company should not pay dividends	<input checked="" type="checkbox"/> – complies <input type="checkbox"/> – partially complies <input type="checkbox"/> – does not comply	
1.2.3.	The Company does not allow the worsening of dividend rights of its current shareholders	1. In the reporting period the Company did not take any actions which could lead to the worsening of dividend rights of its current shareholders	<input checked="" type="checkbox"/> – complies <input type="checkbox"/> – partially complies <input type="checkbox"/> – does not comply	
1.2.4.	The company is looking to prevent shareholders from using other means of gaining profit (income) at the cost of the Company, apart from dividends and liquidation value	1. In order to prevent shareholders from using other means of gaining profit (income) at the cost of the Company, apart from dividends and liquidation value, the Company's internal documents set out control mechanisms which ensure timely identification and approval of transactions with entities affiliated (associated) with major shareholders (persons entitled to exercise a number of votes accounted for by voting shares) in such cases when the law does not officially recognize these transactions as interested-party transactions	<input type="checkbox"/> – complies <input type="checkbox"/> – partially complies <input checked="" type="checkbox"/> – does not comply	The Company analyzes possible control mechanisms which may ensure timely identification and approval of transactions with entities affiliated (associated) with major shareholders (persons entitled to exercise a number of votes accounted for by voting shares) in such cases when the law does not officially recognize these transactions as interested-party transactions

1.3.	The corporate governance system and practices should ensure equal conditions for all shareholders owning shares of the same category (type), including minority shareholders and foreign shareholders, and equal treatment of them on the part of the Company		
1.3.1.	The Company created conditions necessary to ensure that the management bodies and controlling persons treat each shareholder fairly, including preventing abuse on the part of large shareholders with respect to minority shareholders.	1. In the reporting period management of potential conflicts of interest of major shareholders was efficient, and the Board of Directors paid due attention to conflicts between the shareholders, if any	<input checked="" type="checkbox"/> - complies <input type="checkbox"/> - partially complies <input type="checkbox"/> - does not comply
1.3.2.	The Company does not take actions which cause or may cause artificial reallocation of corporate governance	1. There are no quasi-treasury shares or they did not participate in the vote in the reporting period	<input checked="" type="checkbox"/> - complies <input type="checkbox"/> - partially complies <input type="checkbox"/> - does not comply
1.4.	Shareholders are provided with reliable and effective methods to register ownership of shares and an opportunity to freely and quickly dispose of their shares		
1.4.1.	Shareholders are provided with reliable and effective methods to register ownership of shares and an opportunity to freely and quickly dispose of their shares	1. Quality and reliability of activities carried out by the Company's Registrar and related to keeping a register of the owners of securities meet the needs of the Company and its shareholders	<input checked="" type="checkbox"/> - complies <input type="checkbox"/> - partially complies <input type="checkbox"/> - does not comply
2.1.	The Board of Directors is responsible for strategic management of the company's business, establishing the key principles of and approaches to creating a risk management and internal control system in the company, supervising the work of the company's executive bodies, and performing other key functions		
2.1.1.	The Board of Directors is responsible for making decisions related to appointment and discharge from their functions of executive bodies, including due to improper performance of their functions. The Board of Directors also ensures that the Company's executive bodies act in accordance with the approved development strategy and the main activities of the Company	1. The Board of Directors has certain powers set out by the Articles of Associations to appoint, discharge from functions and specify terms of agreements concerning members of the executive bodies. 2. The Board of Directors considered the report(s) of the Sole Executive Body and members of the Collegiate Executive Body on implementation of the Company's strategy	<input checked="" type="checkbox"/> - complies <input type="checkbox"/> - partially complies <input type="checkbox"/> - does not comply

2.1.2.	The Board of Directors sets out the main guidelines of the Company's activities in the long term, evaluates and approves key performance indicators and principal business goals of the Company, evaluates and approves strategy and business plans for the main activities of the Company	1. In the reporting period the Board of Directors addressed issues concerning implementation and review of the strategy, approval of the financial and economic plan (budget) of the Company, as well as consideration of criteria and indicators (including interim indicators) related to implementation of the Company's strategy and business plans	<input checked="" type="checkbox"/> – complies <input type="checkbox"/> – partially complies <input type="checkbox"/> – does not comply	
2.1.3.	The Board of Directors determines principles of and approaches to creating a risk management and internal control system in the Company.	1. The Board of Directors determined principles of and approaches to creating a risk management and internal control system in the Company. 2. The Board of Directors assessed the system of risk management and internal control of the Company in the reporting period	<input checked="" type="checkbox"/> – complies <input type="checkbox"/> – partially complies <input type="checkbox"/> – does not comply	
2.1.4.	The Board of Directors determines the Company's policy on the payment of remunerations and (or) compensations to the members of the Board of Directors, executive bodies or other key managers	1. The Company devised and implemented a policy on the payment of remunerations and (or) compensations to the members of the Board of Directors, executive bodies or other key managers, which was approved by the Board of Directors. 2. In the reporting period the meetings of the Board of Directors addressed issues related to the said policy (policies)	<input checked="" type="checkbox"/> – complies <input type="checkbox"/> – partially complies <input type="checkbox"/> – does not comply	
2.1.5.	The Board of Directors plays a key role in prevention, identification and resolution of internal conflicts between the Company's bodies, shareholders and employees	1. The Board of Directors plays a key role in prevention, identification and resolution of internal conflicts. 2. The Company created a system to identify transactions related to conflicts of interest and a system of measures aimed at resolving these conflicts	<input checked="" type="checkbox"/> – complies <input type="checkbox"/> – partially complies <input type="checkbox"/> – does not comply	
2.1.6.	The Board of Directors plays a key role in ensuring transparency of the Company, completeness of disclosed information and its timely provision as well as easy access for shareholders to the Company's documents	1. The Board of Directors approved the Regulation on Information Policy 2. The Company determined persons responsible for implementation of the Information Policy	<input checked="" type="checkbox"/> – complies <input type="checkbox"/> – partially complies <input type="checkbox"/> – does not comply	
2.1.7.	The Board of Directors controls the corporate governance prac-	1. In the reporting period the Board of Directors considered the issue of the corporate govern-	<input checked="" type="checkbox"/> – complies	

	<p>tice in the Company and plays a key role in significant corporate events of the Company</p>	<p>ance practice in the Company</p>	<p><input type="checkbox"/> – partially complies</p> <p><input type="checkbox"/> – does not comply</p>	
2.2.	The Board of Directors is accountable to the Company's shareholders			
2.2.1.	<p>Information on the Board of Directors performance is disclosed and provided to shareholders</p>	<p>1. The Annual Report of the Company for the reporting period includes information on attendance of meetings of the Board of Directors and Committees by individual directors.</p> <p>2. The Annual Report includes information on the main results of the Board of Directors performance assessment carried out in the reporting period</p>	<p><input type="checkbox"/> – complies</p> <p><input checked="" type="checkbox"/> – partially complies</p> <p><input type="checkbox"/> – does not comply</p>	<p>Point 2 – The Annual Report does not include information on the main results of the Board of Directors performance assessment carried out in the reporting period.</p> <p>The Company is developing methods for assessing the performance of the Board of Directors</p>
2.2.2.	<p>The Chairman of the Board of Directors is available for communication with shareholders of the Company</p>	<p>1. The Company has a transparent procedure enabling shareholders to send their questions and opinions on them to the Chairman of the Board of Directors</p>	<p><input checked="" type="checkbox"/> – complies</p> <p><input type="checkbox"/> – partially complies</p> <p><input type="checkbox"/> – does not comply</p>	
2.3.	The Board of Directors is an effective and professional governing body of the Company, able to make objective independent judgments and make decisions in the interests of the Company and its shareholders			
2.3.1.	<p>Only persons having impeccable business and personal reputation and knowledge, skills and experience required for making decisions within the competence of the Board of Directors as well as for its efficient performance, are elected as members of the Board of Directors</p>	<p>1. The procedure for the Board of Directors performance assessment also includes evaluation of professional qualification of members of the Board of Directors.</p> <p>2. In the reporting period the Board of Directors (or its Nominations Committee) assessed candidates for the Board of Directors from the point of view of experience, knowledge, business reputation, lack of conflict of interest, etc.</p>	<p><input type="checkbox"/> – complies</p> <p><input type="checkbox"/> – partially complies</p> <p><input checked="" type="checkbox"/> – does not comply</p>	<p>The procedure for assessing the performance of the Board of Directors has not been approved.</p> <p>The Company is developing methods for assessing the performance of the Board of Directors.</p>
2.3.2.	<p>Members of the Board of Directors are elected under a transparent procedure enabling shareholders to obtain information about the candidates which is sufficient to form an opinion about their personal and professional qualities</p>	<p>1. In all cases when the agenda of the General Shareholders Meeting in the reporting period included election to the Board of Directors, the Company provided its shareholders with biographical details of all candidates for the Board of Directors, results of their assessment carried out by the Board of Directors (or its Nominations Committee), as well as information on whether</p>	<p><input type="checkbox"/> – complies</p> <p><input checked="" type="checkbox"/> – partially complies</p> <p><input type="checkbox"/> – does not comply</p>	<p>In the reporting period information on the candidates' consent to their election as members of the Board of Directors was provided in materials to the General Shareholders Meeting.</p> <p>The Company's internal documents do not include a requirement to provide biographical details of all candidates for the Board of Directors and results of their assessment</p>

		the candidate met criteria of independence in accordance with the Recommendations No. 102-107 of the Code and the written consent of the candidates for election to the Board of Directors		
2.3.3.	The composition of the Board of Directors is balanced due to qualification, experience, knowledge and professional qualities of its members and the Board enjoys the trust of shareholders	1. As part of the Board of Directors performance assessment in the reporting period the Board of Directors analyzed its own needs in professional qualifications, experience and business skills	<input type="checkbox"/> – complies <input type="checkbox"/> – partially complies <input checked="" type="checkbox"/> – does not comply	The procedure for assessing the performance of the Board of Directors has not been approved. The Company is developing methods for assessing the performance of the Board of Directors
2.3.4.	The quantitative composition of the Company's Board of Directors allows it to organize its activity in the most efficient way, which includes forming Committees of the Board of Directors. It also enables the election to the Board of Directors of candidates voted in by the main minority shareholders of the Company	1. As part of assessment of the Board of Directors carried out in the reporting period, the Board of Directors considered whether its quantitative composition met the needs of the Company and promoted the interests of its shareholders	<input type="checkbox"/> – complies <input type="checkbox"/> – partially complies <input checked="" type="checkbox"/> – does not comply	The procedure for assessing the performance of the Board of Directors has not been approved. The Company is developing methods for assessing the performance of the Board of Directors
2.4.	An adequate number of independent directors should sit on the Board of Directors			
2.4.1.	An independent director is a person who has sufficient professional skills, experience and independence to form his/her own opinion, is able to make objective and fair judgments independently of the executive bodies of the Company, separate groups of shareholders or other interested parties. At the same time, it should be noted that under normal circumstances a candidate (an elective member of the Board of Directors) associated with the Company, its major shareholder, major counterparty, competitor or the government cannot be considered independent	1. In the reporting period all independent members of the Board of Directors met all independence criteria specified in the Recommendations No. 102-107 of the Code or were recognized as independent by the Board of Directors	<input checked="" type="checkbox"/> – complies <input type="checkbox"/> – partially complies <input type="checkbox"/> – does not comply	?

2.4.2.	The Company assesses whether candidates for the Board of Directors meet the independence criteria, and a regular analysis is carried out to determine whether independent members of the Board of Directors meet the independence criteria. When carrying out the assessment, content should prevail over form	<p>1. In the reporting period the Board of Directors (or the Nominations Committee of the Board of Directors) formed an opinion on the independence of each candidate for the Board of Directors and provided the shareholders with a corresponding statement.</p> <p>2. In the reporting period the Board of Directors (or the Nominations Committee of the Board of Directors) considered the independence of the current members of the Board of Directors who are specified in the Annual Report as independent directors of the Company at least once.</p> <p>3. The Company developed procedures specifying actions required from a member of the Board of Directors if he/she ceases to be an independent director, including obligations to promptly inform the Board of Directors of this fact</p>	<input type="checkbox"/> – complies <input type="checkbox"/> – partially complies <input checked="" type="checkbox"/> – does not comply	<p>The HR and Remunerations Committee of the Board of Directors did not assess candidates for the Board of Directors using independence criteria.</p> <p>The procedure for addressing this issue in the Company is not determined</p> <p>Currently the Company is working on bringing the Regulation on the Committee in compliance with the Code of Corporate Governance.</p>
2.4.3.	Independent directors account for at least one third of elective members of the Board of Directors.	1. Independent directors account for at least one third of elective members of the Board of Directors.	<input type="checkbox"/> – complies <input type="checkbox"/> – partially complies <input checked="" type="checkbox"/> – does not comply	Members of the Board of Directors of the Company are elected by the General Shareholders Meeting
2.4.4.	Independent directors play a key role in preventing internal conflicts in the Company and in the Company's significant corporate actions	1. Independent directors (who have no conflict of interest) perform a preliminary evaluation of significant corporate actions related to a potential conflict of interest, and the evaluation results are provided to the Board of Directors	<input checked="" type="checkbox"/> – complies <input type="checkbox"/> – partially complies <input type="checkbox"/> – does not comply	
2.5.	The Chairman of the Board of Directors ensures that functions assigned to the Board of Directors are performed as efficiently as possible.			
2.5.1.	The Board of Directors is chaired by an independent director, or a senior independent director is selected from elective independent directors to coordinate the	<p>1. The Chairman of the Board of Directors is an independent director, or a senior independent director is selected from independent directors***.</p> <p>2. The role, rights and duties of the Chairman</p>	<input type="checkbox"/> – complies <input checked="" type="checkbox"/> – partially complies	<p>The Chairman of the Board of Directors is a non-independent director.</p> <p>Internal documents of the Company do not contain restrictions on independence of the Chairman of the Board of Directors.</p> <p>The Chairman of the Board of Directors is a member of the</p>

	work of independent directors and communicate with the Chairman of the Board of Directors.	of the Board of Directors (and, if applicable, of the senior independent director) are properly specified in internal documents of the Company	<input type="checkbox"/> – does not comply	Board of Directors who was elected by other members by the majority of votes.
2.5.2.	The Chairman of the Board of Directors ensures a constructive atmosphere at the meetings, open discussion of issues on the agenda and control over implementation of decisions made by the Board of Directors	1. Performance of the Chairman of the Board of Directors was evaluated as part of the procedure for assessing the performance of the Board of Directors in the reporting period	<input type="checkbox"/> – complies <input type="checkbox"/> – partially complies <input checked="" type="checkbox"/> – does not comply	The procedure for assessing the performance of the Board of Directors has not been approved. The Company is developing methods for assessing the performance of the Board of Directors
2.5.3.	The Chairman of the Board of Directors takes all necessary measures to ensure timely provision of members of the Board of Directors with information required to make decisions on issues on the agenda	1. The duty of the Chairman of the Board of Directors to take measures to ensure timely provision of members of the Board of Directors with materials on issues on the agenda of the meeting of the Board of Directors is set out in internal documents of the Company	<input checked="" type="checkbox"/> – complies <input type="checkbox"/> – partially complies <input type="checkbox"/> – does not comply	
2.6.	Members of the Board of Directors act reasonably and in good faith in the interests of the Company and its shareholders on the basis of sufficient information, exercising due diligence and care			
2.6.1.	Members of the Board of Directors make decisions taking into account all available information, in the absence of a conflict of interest, and given equal treatment of shareholders of the Company, within a standard business risk	1. The Company's internal documents stipulate that a member of the Board of Directors must inform the Board of Directors if there is a conflict of interest in relation to any issue on the agenda of the meeting of the Board of Directors or a Committee of the Board of Directors, prior to discussion of that issue. 2. The Company's internal documents stipulate that a member of the Board of Directors must refrain from voting on any issue if he/she has a conflict of interest. 3. The Company established a procedure which allows the Board of Directors to obtain professional advice on issues within its competence at the cost of the Company	<input checked="" type="checkbox"/> – complies <input type="checkbox"/> – partially complies <input type="checkbox"/> – does not comply	?

2.6.2.	The rights and duties of members of the Board of Directors are clearly determined and set out in internal documents of the Company	1. The Company adopted and published an internal document which clearly determines the rights and duties of members of the Board of Directors	<input checked="" type="checkbox"/> – complies <input type="checkbox"/> – partially complies <input type="checkbox"/> – does not comply	
2.6.3.	Members of the Board of Directors have sufficient time to perform their duties	1. Individual attendance of meetings of the Board and Committees, as well as the time devoted to preparation for participation in the meetings, were taken into account when performing the assessment of the Board of Directors in the reporting period. 2. In accordance with internal documents of the Company, members of the Board of Directors must inform the Board of Directors of their intention to join the management bodies of other organizations (apart from organizations controlled by or affiliated with the Company) and of the fact of such an appointment	<input type="checkbox"/> – complies <input type="checkbox"/> – partially complies <input checked="" type="checkbox"/> – does not comply	The procedure for assessing the performance of the Board of Directors has not been approved. The Company is developing methods for assessing the performance of the Board of Directors
2.6.4.	All members of the Board of Directors have equal opportunities to access documents and information of the Company. Newly elected members of the Board of Directors are provided with sufficient information on the Company and performance of the Board of Directors in the shortest time possible	1. In accordance with internal documents of the Company, members of the Board of Directors have the right to access documents and make inquiries concerning the Company and its affiliated organizations, and the Company's executive bodies are obliged to provide the said information and documents. 2. The Company has a formalized orientation program for newly elected members of the Board of Directors	<input type="checkbox"/> – complies <input checked="" type="checkbox"/> – partially complies <input type="checkbox"/> – does not comply	Point 2 – The Company lacks a formalized orientation program for newly elected members of the Board of Directors. Newly elected members of the Board of Directors have the right to access documents and make inquiries concerning the Company and its affiliated organizations, and the Company's executive bodies are obliged to provide the said information and documents. Also members of the Board of Directors may familiarize themselves with information on the Company's website. - Presentations for investors and analysts http://www.mrsk-cp.ru/stockholder_investor/investor_analytics/ - The information bulletin "Major Indicators of Performance of JSC IDGC of Center and Volga Region" (quarterly) http://www.mrsk-cp.ru/stockholder_investor/investor_analytics/ - Annual Reports of the Company http://www.mrsk-cp.ru/stockholder_investor/disclosure_reporting_info/godovye-otchety/
2.7.	Meetings of the Board of Directors, preparation for them and participation of members of the Board of Directors in the meetings should enable efficient work of the Board of Directors			

2.7.1.	Meetings of the Board of Directors are held when necessary, given the scale of activity and challenges facing the Company at any given time	1. The Board of Directors held at least six meetings in the reporting year	<input checked="" type="checkbox"/> – complies <input type="checkbox"/> – partially complies <input type="checkbox"/> – does not comply	
2.7.2.	The company's internal documents set out a procedure for preparing for and holding meetings of the Board of Directors making sure that the members of the Board of Directors are able to prepare for them properly	1. The Company approved an internal document which determines the procedure for preparing for and holding meetings of the Board of Directors and stipulates that the notification of the meeting must be given, as a rule, not less than 5 days prior to the date of the meeting	<input checked="" type="checkbox"/> – complies <input type="checkbox"/> – partially complies <input type="checkbox"/> – does not comply	
2.7.3.	The form of the meeting of the Board of Directors is determined taking into account the importance of issues on the agenda. The most important issues are addressed at face-to-face meetings of the Board of Directors	1. The Articles of Association or an internal document of the Company provides that the most important issues (according to the list given in Recommendation No. 168 of the Code) should be addressed at face-to-face meetings of the Board	<input type="checkbox"/> – complies <input checked="" type="checkbox"/> – partially complies <input type="checkbox"/> – does not comply	The Articles of Association or internal documents of the Company do not provide that the most important issues (according to the list given in Recommendation No. 168 of the Code) should be addressed at face-to-face meetings of the Board. Actually, some of the issues from the list given in Point 168 of the Code are addressed at face-to-face meetings
2.7.4.	Motions concerning the most important issues of the Company's activity are adopted at the meeting of the Board of Directors by a qualified majority or by a majority of votes cast by all elective members of the Board of Directors	1. The Company's Articles of Association provide that motions concerning the most important issues specified in Recommendation No. 170 of the Code shall be adopted at the meeting of the Board of Directors by a qualified majority or by a majority of votes cast by all elective members of the Board of Directors.	<input type="checkbox"/> – complies <input checked="" type="checkbox"/> – partially complies <input type="checkbox"/> – does not comply	The Company's Articles of Association do not include Recommendation No. 170 of the Code but the current version of the Articles of Association of the Company partially contains these requirements
2.8.	The Board of Directors should establish committees for preliminary consideration of the most important issues related to the Company's activity.			
2.8.1.	For preliminary consideration of issues related to control over financial and economic activities of the Company there is an Audit Committee comprising independent directors	1. The Board of Directors formed the Audit Committee comprising independent directors only. 2. The Company's internal documents set out the duties of the Audit Committee, including duties specified in Recommendation No. 172 of the Code. 3. At least one member of the Audit Committee who is an independent director has experience	<input type="checkbox"/> – complies <input checked="" type="checkbox"/> – partially complies <input type="checkbox"/> – does not comply	Due to the fact that the Company's Board of Directors has only one independent member (A. V. Shevchuk), the Audit Committee cannot comprise independent directors only. Future composition of the Audit Committee will depend on the structure of the newly elected Board of Directors (on the number of independent directors)

		and knowledge of preparation, analysis, evaluation and audit of the accounting (financial) statements. 4. Meetings of the Audit Committee were held at least once a quarter in the reporting period		
2.8.2.	For preliminary consideration of issues related to establishment of efficient and transparent remuneration practice there is a Remunerations Committee consisting of independent directors and chaired by an independent director who is not the Chairman of the Board of Directors	1. The Board of Directors formed a Remunerations Committee consisting of independent directors only. 2. The Chairman of the Remunerations Committee is an independent director who is not the Chairman of the Board of Directors. 3. The Company's internal documents set out the duties of the Remunerations Committee, including duties specified in Recommendation No. 180 of the Code.	<input type="checkbox"/> – complies <input checked="" type="checkbox"/> – partially complies <input type="checkbox"/> – does not comply	Due to the fact that the Company's Board of Directors includes only one independent member (A. V. Shevchuk), the HR and Remunerations Committee cannot consist of independent directors only. Future composition of the HR and Remunerations Committee will depend on the structure of the newly elected Board of Directors (on the number of independent directors)
2.8.3.	For preliminary consideration of issues related to workforce planning (succession planning), professional composition and performance of the Board of Directors there is a Nominations Committee (HR, Appointments Committee) and most of its members are independent directors	1. The Board of Directors established a Nominations Committee (or another committee performing its duties specified in Recommendation No. 186 of the Code****), and most of its members are independent directors. 2. The Company's internal documents set out duties of the Nominations Committee (or another committee with shared functions), including duties specified in Recommendation No. 186 of the Code	<input type="checkbox"/> – complies <input checked="" type="checkbox"/> – partially complies <input type="checkbox"/> – does not comply	The Board of Directors established an HR and Remunerations Committee
2.8.4.	Given the scale of activity and the risk level, the Board of Directors ensured that the composition of its Committees fully meets the objectives of the Company. Additional Committees were either formed or deemed unnecessary (the Strategy Committee, the Corporate Governance Committee, the Ethics Committee, the Risk Management Committee, the Budget Committee, the Committee on Healthcare, Safety and Environment, etc.)	1. In the reporting period the Board of Directors of the Company considered whether the composition of its Committees met the objectives of the Board of Directors and the Company's activity. Additional Committees were either formed or deemed unnecessary	<input type="checkbox"/> – complies <input checked="" type="checkbox"/> – partially complies <input type="checkbox"/> – does not comply	In the reporting period the Board of Directors of the Company did not consider whether the composition of its Committees met the objectives of the Board of Directors and the Company's activity. In the reporting period the Board of Directors formed the Committees of the Company which met requirements of internal documents. Additionally, the Company established the following Committees of the Board of Directors: - The Reliability Committee - The Strategy and Development Committee - The Committee for Technological Connection to Power Grids
2.8.5.	The composition of the Committees is such that it allows a comprehensive discussion of issues	1. The Committees of the Board of Directors are chaired by independent directors 2. Internal documents (policies) of the Company	<input type="checkbox"/> – complies	The Committees of the Board of Directors are not chaired by non-independent directors due to the fact that the Company's Board of Directors includes only one independent member of

	for preliminary consideration taking into account different opinions	stipulate that persons who are not members of the Audit Committee, the Nominations Committee and the HR and Remunerations Committee may attend meetings of the Committees only by invitation of the Chairmen of the respective Committees	<input checked="" type="checkbox"/> – partially complies <input type="checkbox"/> – does not comply	the Board of Directors (A. V. Shevchuk). Future election of Chairmen of the Committees will depend on the structure of the newly elected Board of Directors (on the number of independent directors)
2.8.6.	The Chairmen of the Committees inform the Board of Directors and its Chairman of performance of their Committees on a regular basis	1. In the reporting period the Chairmen of the Committees informed the Board of Directors of performance of the Committees on a regular basis	<input checked="" type="checkbox"/> – complies <input type="checkbox"/> – partially complies <input type="checkbox"/> – does not comply	
2.9.	The Board of Directors should arrange an assessment of performance of the Board of Directors, its Committees and members			
2.9.1.	Evaluation of the quality of work of the Board of Directors is aimed at assessing the performance of the Board of Directors, its Committees and members, determining whether their work meets the company's development requirements, intensifying the work of the Board of Directors and identifying opportunities for improvement of its performance	1. Self-assessment or an external assessment of the work of the Board of Directors carried out in the reporting period included the assessment of the work of its Committees, certain members and the Board of Directors in general. 2. Results of self-assessment or an external assessment of the Board of Directors carried out in the reporting period were considered at the face-to-face meeting of the Board of Directors.	<input type="checkbox"/> – complies <input type="checkbox"/> – partially complies <input checked="" type="checkbox"/> – does not comply	The procedure for assessing the performance of the Board of Directors has not been approved. The Company is developing methods for assessing the performance of the Board of Directors
2.9.2.	Assessment of the performance of the Board of Directors, its Committees and members is carried out on a regular basis at least once a year. An external organization (consultant) is engaged to perform an independent assessment of the quality of work of the Board of Directors at least once in three years	1. An external organization (consultant) was engaged to perform an independent assessment of the quality of work of the Board of Directors at least once in the course of the last three reporting periods	<input type="checkbox"/> – complies <input type="checkbox"/> – partially complies <input checked="" type="checkbox"/> – does not comply	The procedure for assessing the performance of the Board of Directors has not been approved. The Company is developing methods for assessing the performance of the Board of Directors
3.1.	The Company's Corporate Secretary ensures efficient ongoing interaction with shareholders, coordination of the Company's efforts to protect the shareholders' rights and interests and support of efficient work of the Board of Directors			
3.1.1.	The Corporate Secretary has knowledge, expertise and qualifi-	1. The Company adopted and disclosed an internal document – the Provision on the Corpo-	<input checked="" type="checkbox"/> – complies	

	cation sufficient for performing his or her duties; he or she must also have an excellent reputation and enjoy shareholders' confidence	rate Secretary. 2. The biography of the Corporate Secretary is given on the Company's website and in the Annual Report; it is as detailed as that of the members of the Board of Directors and the Company's executive officers	<input type="checkbox"/> -partially complies <input type="checkbox"/> -does not comply	
3.1.2.	The Corporate Secretary is fairly independent from the Company's executive bodies and has necessary powers and resources to carry out his or her tasks	1. The Board of Directors approves the appointment and dismissal of the Corporate Secretary and his or her additional remuneration	<input checked="" type="checkbox"/> - complies <input type="checkbox"/> -partially complies <input type="checkbox"/> -does not comply	
4.1.	The amount of remuneration paid by the Company is sufficient for attracting, motivating and retaining employees who have the competence and qualification required by the Company. Remuneration is paid to members of the Board of Directors, executive bodies and other key managers of the Company in accordance with the remuneration policy adopted by the Company			
4.1.1.	Remuneration paid by the Company to members of the Board of Directors, executive bodies and other key managers is sufficient to motivate them so that they work efficiently, allowing the Company to attract and retain competent and qualified specialists. At the same time, the Company avoids paying larger amounts of remuneration than necessary, as well as allowing an unreasonably large gap between the amounts of remuneration paid to the mentioned persons and the Company's employees	1. The Company adopted an internal document (documents) – a policy (policies) on remuneration of the members of the Board of Directors, executive bodies and other key managers which clearly defines (define) approaches to remuneration of the mentioned persons	<input checked="" type="checkbox"/> - complies <input type="checkbox"/> -partially complies <input type="checkbox"/> -does not comply	
4.1.2.	The Company's remuneration policy was developed by the Remunerations Committee and approved by the Board of Directors. The Board of Directors supported by the Remunerations Committee ensures control over the introduction and implementation of the remuneration policy in the Com-	1. In the reporting period the Remunerations Committee considered the remuneration policy (policies) and its (their) implementation and, where necessary, provided the Board of Directors with relevant recommendations	<input checked="" type="checkbox"/> - complies <input type="checkbox"/> -partially complies <input type="checkbox"/> -does not comply	

	pany and, if necessary, revises it and makes adjustments to it			
4.1.3.	The Company's remuneration policy includes transparent mechanisms for determining the amount of remuneration for the members of the Board of Directors, executive bodies and other key managers of the Company; besides, it stipulates all types of payments, benefits and privileges provided to the mentioned persons	1. The remuneration policy (policies) of the Company includes (include) transparent mechanisms for determining the amount of remuneration for the members of the Board of Directors, executive bodies and other key managers of the Company; besides, it (they) stipulates (stipulate) all types of payments, benefits and privileges provided to the mentioned persons	<input checked="" type="checkbox"/> – complies <input type="checkbox"/> – partially complies <input type="checkbox"/> – does not comply	
4.1.4.	The Company determines the policy on reimbursement for costs (compensation) which defines the costs to be reimbursed and the service level which may be provided to members of the Board of Directors, executive bodies and other key managers of the Company. Such a policy may form part of the Company's policy on remuneration	1. The remuneration policy (policies) or other internal documents of the Company establish the procedures for reimbursement of the costs incurred by members of the Board of Directors, executive bodies and other key managers of the Company	<input checked="" type="checkbox"/> – complies <input type="checkbox"/> – partially complies <input type="checkbox"/> – does not comply	
4.2.	The system of remuneration for the members of the Board of Directors ensures that the directors' financial interests are aligned with long-term financial interests of shareholders			
4.2.1.	The Company pays fixed annual remuneration to the members of the Board of Directors. The Company does not pay remuneration for participating in individual meetings of the Board of Directors or Committees under the Board of Directors. The Company does not offer short-term and additional financial incentives to the members of the Board of Directors	1. Fixed annual remuneration was the only monetary form of remuneration for the members of the Board of Directors for their work in the reporting period	<input type="checkbox"/> – complies <input checked="" type="checkbox"/> – partially complies <input type="checkbox"/> – complies	In the current period the Company adopted the Regulation on the Payment of Remuneration and Compensation to Members of the Board of Directors, which stipulates a fixed amount of annual remuneration paid to members of the Board of Directors. Payments will be made starting from 2016
4.2.2.	Long-term ownership of the Company's shares is the most important factor ensuring that	1. If an internal document (documents), the Company's policy (policies) on remuneration, stipulate(s) provision of members of the Board	<input type="checkbox"/> – complies	The Regulation on the Payment of Remuneration and Compensation to Members of the Board of Directors does not stipulate provision of members of the Board of Directors with shares

	financial interests of members of the Board of Directors are aligned with long-term interests of shareholders. At the same time, the Company does not make the sale of shares depend on compliance with certain performance indices and the members of the Board of Directors do not participate in stock options plans	of Directors with shares, clear rules regarding ownership of shares by the members of Board of Directors, which are aimed at encouraging long-term ownership of such shares, should be introduced and disclosed	<input checked="" type="checkbox"/> – partially complies <input type="checkbox"/> – does not comply	
4.2.3.	The Company's internal documents do not provide for any additional payments or compensations in case of early termination of the powers of members of the Board of Directors due to a change in control over the Company or other circumstances	1. The Company's internal documents do not provide for any additional payments or compensations in case of early termination of the powers of members of the Board of Directors due to a change in control over the Company or other circumstances	<input checked="" type="checkbox"/> – complies <input type="checkbox"/> – partially complies <input type="checkbox"/> – does not comply	
4.3.	The system of remuneration for members of executive bodies and other key managers of the Company ensures that the remuneration is linked to the Company's performance and reflects their personal contribution to this performance			
4.3.1.	Remuneration for members of executive bodies and other key managers of the Company is determined in such a way as to ensure reasonable and justified ratio of fixed components of remuneration to its variable components, which depend on the Company's performance and an employee's personal contribution to this performance	1. In the reporting period annual performance indicators approved by the Board of Directors were used to determine variable components of remuneration for members of executive bodies and other key managers of the Company. 2. During the last assessment of the system of remuneration for the members of executive bodies and other key managers of the Company, the Board of Directors (the Remunerations Committee) made sure that the Company effectively combined fixed and variable components of remuneration. 3. The Company has a procedure ensuring that the bonuses wrongfully received by the members of executive bodies and other key managers are returned to the Company	<input type="checkbox"/> – complies <input checked="" type="checkbox"/> – partially complies <input type="checkbox"/> – does not comply	The Company's internal documents do not stipulate an obligation to assess the system of remuneration for the members of executive bodies and other key managers of the Company in order to make sure that the Company effectively combines fixed and variable components of remuneration
4.3.2.	The Company implemented a long-term incentive plan for members of executive bodies and other key managers, with the use of the Company's shares (options and other derivatives for	1. The Company implemented a long-term incentive plan for members of executive bodies and other key managers, with the use of the Company's shares (financial instruments based on the Company's shares). 2. The long-term incentive plan for members of	<input type="checkbox"/> – complies <input checked="" type="checkbox"/> – partially complies	The Company approved an Option Program; however, the time frame for its implementation and its details were not approved by the Board of Directors

	which the Company's shares are underlying assets)	executive bodies and other key managers of the Company provides for the following: the right to sell shares and other financial instruments used in such a plan may be exercised no earlier than three years after their provision. At the same time, the right to sell them is related to compliance with the Company's certain performance indices	<input type="checkbox"/> —does not comply	
4.3.3.	The amount of compensation (the "golden parachute"), paid by the Company in case of early termination of the powers of members of executive bodies or key managers on the initiative of the Company and in case of absence of any fraudulence on their part, does not exceed the double amount of the fixed component of annual remuneration	1. In the reporting period the amount of compensation (the "golden parachute"), paid by the Company in case of early termination of the powers of members of executive bodies or key managers on the initiative of the Company and in case of absence of any fraudulence on their part, did not exceed the double amount of the fixed component of annual remuneration	<input checked="" type="checkbox"/> — complies <input type="checkbox"/> —partially complies <input type="checkbox"/> —does not comply	
5.1.	The company created an effective risk management and internal control system aimed at ensuring reasonable confidence that the Company will achieve its goals			
5.1.1.	The Board of Directors determined the principles of and approaches to organizing a risk management and internal control system in the Company	1. Functions of the Company's various management bodies and units in the risk management and internal control system are clearly defined in internal documents/a relevant policy of the Company approved by the Board of Directors	<input checked="" type="checkbox"/> — complies <input type="checkbox"/> — partially complies <input type="checkbox"/> —does not comply	
5.1.2.	The Company's executive bodies ensure the creation and support of an efficient risk management and internal control system in the Company	1. The Company's executive bodies ensured distribution of functions and powers regarding risk management and internal control among heads of units and divisions accountable to them	<input checked="" type="checkbox"/> — complies <input type="checkbox"/> —partially complies <input type="checkbox"/> —does not comply	
5.1.3.	The risk management and internal control system of the Company ensures an objective and clear picture of the current situation in the Company and its prospects	1. The Company approved an anti-corruption policy. 2. The Company organized a convenient way of informing the Board of Directors or its Audit Committee about violations of the law, internal	<input checked="" type="checkbox"/> — complies <input type="checkbox"/> —partially complies	

	as well as integrity and transparency of the Company's statements. It also makes sure that the risks taken by the Company are reasonable and acceptable	procedures or the Corporate Code of Ethics	<input type="checkbox"/> – does not comply	
5.1.4.	The Company's Board of Directors takes necessary measures to make sure that the Company's risk management and internal control system is in line with the principles of and approaches to its organization determined by the Board of Directors and functions efficiently	1. In the reporting period the Board of Directors or the Audit Committee of the Board of Directors assessed the performance of the Company's risk management and internal control system. The key results of this assessment are included in the Company's Annual Report	<input checked="" type="checkbox"/> – complies <input type="checkbox"/> – partially complies <input type="checkbox"/> – does not comply	
5.2.	The Company organizes internal audit in order to make an independent and systematic assessment of the reliability and performance of the risk management and internal control system and corporate governance practice			
5.2.1.	To conduct internal audit, the Company created a separate structural unit or engaged an independent third-party organization. Functional accountability of the internal audit unit is separate from its administrative accountability. The internal audit unit is functionally accountable to the Board of Directors	1. To conduct internal audit, the Company created a separate structural unit responsible for internal audit which is functionally accountable to the Board of Directors or the Audit Committee, or else an independent third-party organization was engaged following the same accountability principles	<input checked="" type="checkbox"/> – complies <input type="checkbox"/> – partially complies <input type="checkbox"/> – does not comply	
5.2.2.	The internal audit unit assesses the performance of the internal control system, risk management system and the corporate governance system. The Company uses generally accepted performance standards in the sphere of internal audit	1. In the reporting period, as part of internal audit, the performance of the internal control and risk management system was assessed. 2. The Company uses generally accepted approaches to internal control and risk management	<input checked="" type="checkbox"/> – complies <input type="checkbox"/> – partially complies <input type="checkbox"/> – does not comply	
6.1.	The Company and its operations are transparent to shareholders, investors and other stakeholders			
6.1.1.	The Company developed and implemented an information policy ensuring effective communication between the Company,	1. The Board of Directors approved the Company's information policy developed considering the recommendations of the Code. 2. The Board of Directors (or one of its Com-	<input type="checkbox"/> – complies <input checked="" type="checkbox"/> – partially complies	A single communication policy of the Company was approved. The Company's internal documents do not stipulate an obligation to consider reports on compliance of the Board of Directors and its Committees with the information policy

	shareholders, investors and other stakeholders	mittees) considered the issues related to the Company's compliance with its information policy at least once in the reporting period	<input type="checkbox"/> —does not comply	
6.1.2.	The Company discloses information on the system and practice of corporate governance including detailed information on compliance with the principles and recommendations of the Code	<p>1. The Company discloses information on its corporate governance system and general corporate governance principles used by it, including disclosure on the Company's website.</p> <p>2. The Company discloses information on the composition of executive bodies and the Board of Directors, independence of its members and their membership in the Committees of the Board of Directors (in accordance with definitions given in the Code).</p> <p>3. If there is an entity controlling the Company, the Company publishes a memorandum of this entity detailing its plans concerning corporate governance in the Company</p>	<input type="checkbox"/> —complies <input checked="" type="checkbox"/> —partially complies <input type="checkbox"/> —does not comply	The company did not disclose a memorandum detailing the plans of the entity controlling the Company (JSC Russian Grids) concerning the Company
6.2.	The Company discloses comprehensive, up-to-date and accurate information on the Company in a timely manner to ensure that its shareholders and investors are able to make informed decisions			
6.2.1.	The company discloses information in accordance with the principles of regularity, consistency and promptness, as well as availability, accuracy, comprehensiveness and comparability of disclosed data	<p>1. The Company's information policy stipulates approaches to and criteria for identifying the information which may have a significant impact on the value of the Company and its securities, as well as procedures ensuring timely disclosure of such information.</p> <p>2. If the Company's securities are traded on foreign organized markets, the disclosure of material information in the Russian Federation and on such markets is simultaneous and equivalent during the reporting year.</p> <p>3. If foreign shareholders have a considerable number of shares in the Company, information was disclosed not only in Russian, but also in one of the prevailing foreign languages during the reporting year</p>	<input checked="" type="checkbox"/> —complies <input type="checkbox"/> —partially complies <input type="checkbox"/> —does not comply	
6.2.2.	The Company avoids a formal approach to information disclosure and discloses material information on its operations even if the law does not provide for disclosing such information	<p>1. In the reporting period the Company disclosed IFRS financial statements for six months and for the entire year. The Company's Annual Report for the reporting period includes IFRS annual financial statements and an auditor's report.</p> <p>2. The Company discloses comprehensive in-</p>	<input checked="" type="checkbox"/> —complies <input type="checkbox"/> —partially complies <input type="checkbox"/> —does not comply	

		formation on its capital structure in accordance with Recommendation No. 290 of the Code in the Annual report and on its website		
6.2.3.	Being one of the most important means of communication with shareholders and other stakeholders, the Annual Report contains information allowing the assessment of the Company's performance during the year	1. The Company's Annual Report contains information on the key aspects of its operations and its financial results 2. The Company's Annual Report contains information on its social and environmental activities	<input checked="" type="checkbox"/> – complies <input type="checkbox"/> – partially complies <input type="checkbox"/> – does not comply	
6.3.	The Company provides equal and easy access to information and documents at the shareholders' request			
6.3.1.	The Company provides equal and easy access to information and documents at the shareholders' request	1. The Company's information policy stipulates that shareholders must be granted easy access to information, including information on legal entities controlled by the Company, at the shareholders' request	<input checked="" type="checkbox"/> – complies <input type="checkbox"/> – partially complies <input type="checkbox"/> – does not comply	
6.3.2.	When the Company provides shareholders with information, the interests of individual shareholders and the Company are reasonably balanced, as the Company is interested in maintaining confidentiality of important commercial information which may have a material effect on its competitiveness	1. In the reporting period the Company did not reject shareholders' requests for information or, if it did, gave reasons for refusal to provide information. 2. In the cases stipulated by the Company's information policy shareholders are informed that the information is confidential and undertake to keep it confidential	<input checked="" type="checkbox"/> – complies <input type="checkbox"/> – partially complies <input type="checkbox"/> – does not comply	
7.1.	Actions that have or may have a substantial impact on the structure of the shareholders' capital and the Company's financial position and, accordingly, on the shareholders' position (significant corporate actions) should be taken on fair conditions safeguarding the rights and interests of the shareholders and other stakeholders			
7.1.1.	Significant corporate actions include reorganization of the Company, purchase of 30% or more of the Company's voting shares (acquisition), major transactions made by the Company, an increase or reduction in the Company's charter capital, listing and	1. The Company's Articles of Association define a list of transactions or other actions constituting significant corporate actions and the criteria for determining them. Decision-making regarding significant corporate actions falls within the competence of the Board of Directors. In the cases when performing these significant corporate actions falls within the com-	<input checked="" type="checkbox"/> – complies <input type="checkbox"/> – partially complies <input type="checkbox"/> – does not comply	

	delisting of the Company's shares, and other actions which may cause a significant change in shareholders' rights or infringe their interests. The Company's Articles of Association define a list of (criteria for) transactions or other actions constituting significant corporate actions, consideration of which falls within the competence of the Company's Board of Directors	petence of the General Shareholders Meeting in accordance with the law, the Board of Directors provides the shareholders with relevant recommendations. 2. In accordance with the Company's Articles of Association, significant corporate actions include at least the following: reorganization of the Company, purchase of 30% or more of the Company's voting shares (acquisition), major transactions made by the Company, an increase or reduction in the Company's charter capital, listing and delisting of the company's shares		
7.1.2.	The Board of Directors plays a key role in making decisions or developing recommendations on significant corporate actions, based on the position of the Company's independent directors	1. The Company established a procedure in accordance with which independent directors express their opinions on significant corporate actions before their approval	<input type="checkbox"/> – complies <input checked="" type="checkbox"/> – partially complies <input type="checkbox"/> – does not comply	The Company did not establish a procedure in accordance with which independent directors express their opinions on significant corporate actions before their approval. In the reporting period the Company's Board of Directors did not consider issues regarding significant corporate actions
7.1.3.	When significant corporate actions affecting the rights and legitimate interests of shareholders are taken, equal conditions are ensured for all shareholders of the Company, and if the mechanisms for protecting the shareholders' rights provided for by the law are not sufficient, additional measures for protecting the rights and legitimate interests of shareholders are implemented. At the same time, the Company acts not only in accordance with formal legal requirements, but also in accordance with corporate governance principles set out in the Code	1. Considering the character of the Company's operations, its Articles of Association provide for minimal criteria for recognizing the Company's transactions as significant corporate actions which are less strict than the criteria stipulated by the law. 2. In the reporting period all significant corporate actions were approved before being performed	<input type="checkbox"/> – complies <input checked="" type="checkbox"/> – partially complies <input type="checkbox"/> – does not comply	In the reporting period there were no significant corporate actions. The Company's Articles of Association do not directly use notions such as "significant actions" or "major transactions". However, the existing Articles of Association of the Company provide for minimal criteria for recognizing the Company's transactions as falling within the competence of the Board of Directors and the Company's Management Board which are less strict than the criteria stipulated by the law
7.2.	The Company ensures that significant corporate actions are taken in a way that enables the shareholders to receive full information on such actions in a timely manner, provides them with an opportunity to influence such actions and guarantees that their rights are observed and properly protected when such actions are taken			
7.2.1.	Information on taking significant corporate actions is disclosed	1. In the reporting period the Company disclosed information on significant corporate ac-	<input checked="" type="checkbox"/> – complies	

	with an explanation of reasons for, conditions and consequences of such actions	tions, including the reasons and time frame for such actions, in a timely and detailed manner	<input type="checkbox"/> – partially complies <input type="checkbox"/> – does not comply	
7.2.2.	Regulations and procedures related to taking significant corporate actions are set out in the Company's internal documents	<p>1. The Company's internal documents provide for a procedure for engaging an independent appraiser to assess the value of the property disposed of or acquired as a result of a major or interested-party transaction.</p> <p>2. The Company's internal documents provide for a procedure for engaging an independent appraiser to assess the cost of acquisition and repurchase of the Company's shares.</p> <p>3. The Company's internal documents provide for an extended list of grounds on which members of the Company's Board of Directors and other persons stipulated by applicable laws are recognized as parties interested in the Company's transactions</p>	<input type="checkbox"/> – complies <input checked="" type="checkbox"/> – partially complies <input type="checkbox"/> – does not comply	<p>Point 3 – Internal documents of the Company do not provide for an extended list of grounds on which members of the Company's Board of Directors and other persons stipulated by applicable laws are recognized as parties interested in the Company's transactions.</p> <p>Extension of the list of grounds on which members of the Company's Board of Directors and other persons stipulated by applicable laws are recognized as parties interested in the Company's transactions in order to assess whether these persons are actually interested parties is not to be considered. Implementation is not planned as requirements for the members of the Board of Directors who have a right to vote for interested-party transactions are set out in the Federal Law "On Joint-Stock Companies".</p> <p>In case of extending them, there is a risk of infringing voting rights of the members of the Board of Directors whose votes were not considered on additional grounds but were to be considered in accordance with the law</p>

* The status "complies" is indicated only if the Company meets all criteria for assessing compliance with a corporate governance principle. In other cases the status "partially complies" or "does not comply" must be indicated.

** Explanations are given for each criterion for assessing compliance with a corporate governance principle if the Company meets only some of the criteria or none. If the Company indicated the status "complies", no explanations are needed,

*** Please specify which of the two alternative approaches allowed by the principle is used by the Company and explain the reasons for selecting this approach.

**** If the tasks of the Nominations Committee are carried out by another Committee, please specify which one.

Detailed Information on Members of the Board of Directors, Committees of the Board of Directors, the Management Board and the Audit Commission.

Reports by Committees of the Board of Directors

This Supplement includes details on the current members of the Board of Directors, the Management Board and the Audit Commission, as well as information about the operations of the committees of the Board of Directors, in accordance with requirements of the Company's internal documents and the effective legislation of the Russian Federation.

Detailed information on members of these management and control bodies, who were elected in 2014 and whose authority expired in June 2015, is available in the Annual Report 2014 of JSC IDGC of Center and Volga Region on the Company's website www.mrsk-cp.ru in the section 'For Shareholders and Investors / Disclosure of Information by Issuer' / 'Annual Reports'

(http://www.mrsk-cp.ru/stockholder_investor/disclosure_reporting_info/godovye-otchety/).

1. Detailed Information on Members of the Board of Directors, Committees of the Board of Directors, the Management Board and the Audit Commission.

1.1. The Board of Directors of the Company

The acting Board of Directors of PJSC IDGC of Center and Volga Region was elected by the Annual General Shareholders Meeting on June 16, 2015 (Minutes No. 9) (positions are indicated as of the moment of election).

Fadeev Aleksandr Nikolaevich – Chairman of the Board of Directors.

First elected to the Board of Directors of PJSC IDGC of Center and Volga Region on June 16, 2015.

Year of birth: 1949.

Education and qualifications: higher professional, Moscow State University of Geodesy and Cartography.

All positions held by the person in the Company and other organizations for the last 5 years and presently, including part-time positions, are listed below:

Period		Organization	Position
from	through		
2014	Present	PJSC Russian Grids	Deputy General Director for Security, Counselor
2015	Present	PJSC IDGC of Center and Volga Region	Member of the Board of Directors
2015	Present	PJSC IDGC of Siberia	Member of the Board of Directors
2015	Present	PJSC IDGC of South	Member of the Board of Directors

2013	2014	JSC IDGC of Ural	Member of the Board of Directors
2012	2013	JSC Elektrosetservice	Member of the Board of Directors
2011	2012	JSC TSISUS	Member of the Board of Directors
2011	2012	JSC Tyumenenergo	Member of the Board of Directors
2009	2014	JSC FGC UES	Deputy Chairman of the Management Board, Director of the Department for Economic Safety

The Company's ordinary shares owned by the person (share in the charter capital): none.

The Company has no evidence of purchase or disposal of the Company's shares by the person in 2015.

Membership in the committees of the Board of Directors of PJSC IDGC of Center and Volga Region:

Member of the HR and Remunerations Committee of the Board of Directors.

Information on independence of the member of the Board of Directors:

In accordance with the Listing Rules of CJSC MICEX Stock Exchange, the member cannot be considered independent.

Varlamov Nikolay Nikolaevich – Deputy Chairman of the Board of Directors.

Elected to the Board of Directors of PJSC IDGC of Center and Volga Region three times: on June 18, 2013, June 26, 2014 and June 16, 2015.

Year of birth: 1974.

Education and qualifications: higher professional, Lomonosov Moscow State University (Institute of Asian and African States), Bachelor of Oriental and African Studies - expert in Eastern Economics and the Chinese language. Financial Academy under the Government of the Russian Federation, Economist, Master of Economics.

All positions held by the person in the Company and other organizations for the last 5 years and presently, including part-time positions, are listed below:

Period		Organization	Position
from	through		
2013	Present	PJSC Russian Grids	Deputy General Director - Head of Administration, Deputy General Director for Audit and Control Operations
2015	Present	PJSC Russian Grids	Member of the Management Board
2013	2015	JSC IDGC of Northern Caucasus	Member of the Board of Directors
2013	Present	PJSC IDGC of Center and Volga Region	Member of the Board of Directors
2012	2013	JSC FGC UES	Member of the Management Board
2011	2013	JSC FGC UES	Deputy Chairman of the Management Board
2008	2011	Federal Service for Financial Monitoring	Official Secretary - Deputy Head

The Company's ordinary shares owned by the person (share in the charter capital): none.

The Company has no evidence of purchase or disposal of the Company's shares by the person in 2015.

Membership in the committees of the Board of Directors of PJSC IDGC of Center and Volga Region:

Chairman of the HR and Remunerations Committee of the Board of Directors.

Chairman of the Audit Committee of the Board of Directors.

Information on independence of the member of the Board of Directors:

In accordance with the Listing Rules of CJSC MICEX Stock Exchange, the member cannot be considered independent.

Branis Aleksandr Markovich

Elected to the Board of Directors of PJSC IDGC of Center and Volga Region eight times: on May 30, 2008, June 16, 2010, June 14, 2011, June 22, 2012, August 22, 2012, June 18, 2013, June 26, 2014 and June 16, 2015.

Year of birth: 1977.

Education and qualifications: higher professional, Academy of National Economy under the Government of the Russian Federation, Bachelor of Management.

All positions held by the person in the Company and other organizations for the last 5 years and presently, including part-time positions, are listed below:

Period		Organization	Position
from	through		
2005	Present	Prosperity Capital Management (RF) Ltd.	Director
2012	Present	JSC TGC-2	Member of the Board of Directors
2011	Present	PJSC IDGC of South	Member of the Board of Directors
2010	Present	PJSC IDGC of Center and Volga Region	Member of the Board of Directors
2009	Present	Representative Office of Prosperity Capital Management (RF) Ltd.	Chief Investment Officer
2009	2011	LLC Prosperity Capital Management	Chairman of the Liquidation Commission
2008	2011	LLC Prosperity Capital Management	Chief Accountant
2008	2009	JSC IDGC of Center and Volga Region	Member of the Board of Directors
2007	Present	PJSC IDGC of Center	Member of the Board of Directors
2007	2011	JSC Bashkirenergo	Member of the Board of Directors
2006	2009	Representative Office of Prosperity Capital Management (RF) Ltd.	Director of the Analytical Department
2006	2009	JSC TGC-2	Member of the Board of Directors
2005	2014	JSC TGC-6	Member of the Board of Directors
2004	Present	Association of Institutional Investors (before January 13, 2015, Investor Rights Protection Association)	Member of the Board of Directors

The Company's ordinary shares owned by the person (share in the charter capital): none.

The Company has no evidence of purchase or disposal of the Company's shares by the person in 2015.

Membership in the committees of the Board of Directors of PJSC IDGC of Center and Volga Region: Not a member

Information on independence of the member of the Board of Directors:

In accordance with the Listing Rules of CJSC MICEX Stock Exchange, the member cannot be considered independent.

Grinkevich Yegor Borisovich – Deputy Director of the Department of Electricity of the Ministry of Energy of the Russian Federation (Minenergo of Russia).

First elected to the Board of Directors of PJSC IDGC of Center and Volga Region on June 16, 2015.

Year of birth: 1974.

Education and qualifications: higher professional, Dostoevsky Omsk State University (Mathematics), Moscow Power Engineering Institute (Management).

All positions held by the person in the Company and other organizations for the last 5 years and presently, including part-time positions, are listed below:

Period		Organization	Position
from	through		
2015	Present	PJSC IDGC of Center and Volga Region	Member of the Board of Directors
2011	Present	Ministry of Energy of the Russian Federation	Deputy Director of the Department of Electricity
2008	2011	JSC ATS	Head of Administration for Competitive Pricing
2009	Present	Independent Non-Profit Organization Educational Center Market Council	Member of the Supervisory Board
2013	2013	JSC TGC-5	Member of the Board of Directors

The Company's ordinary shares owned by the person (share in the charter capital): none.

In 2015, the person made no transactions with the shares in the Company.

Membership in the committees of the Board of Directors of PJSC IDGC of Center and Volga Region: Not a member

Information on independence of the member of the Board of Directors:

In accordance with the Listing Rules of CJSC MICEX Stock Exchange, the member cannot be considered independent.

Guriyanov Denis Lvovich – Director of the Department for Corporate Governance and Shareholder and Investor Relations of JSC Russian Grids.

First elected to the Board of Directors of PJSC IDGC of Center and Volga Region on June 16, 2015.

Year of birth: 1977.

Education and qualifications: higher professional, Peoples' Friendship University of Russia (RUDN University), Master of Law.

All positions held by the person in the Company and other organizations for the last 5 years and presently, including part-time positions, are listed below:

Period	Organization	Position
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from	through		
2013	Present	PJSC Russian Grids	Director of the Department for Corporate Governance and Shareholder and Investor Relations
2008	2013	JSC IDGC Holding	Director of the Department for Corporate Governance and Shareholder and Investor Relations, Corporate Policy Director
2015	Present	PJSC IDGC of Center and Volga Region	Member of the Board of Directors
2014	Present	PJSC FTC	Member of the Board of Directors
2014	Present	PJSC IDGC of Siberia	Member of the Board of Directors
2014	Present	PJSC Sevkavkazenergo	Member of the Board of Directors
2014	Present	JSC Administration of FOCL-OL	Member of the Board of Directors

The Company's ordinary shares owned by the person (share in the charter capital): none.

In 2015, the person made no transactions with the shares in the Company.

Membership in the committees of the Board of Directors of PJSC IDGC of Center and Volga Region:

Member of the HR and Remunerations Committee of the Board of Directors;

Member of the Audit Committee of the Board of Directors;

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

Information on independence of the member of the Board of Directors:

In accordance with the Listing Rules of CJSC MICEX Stock Exchange, the member cannot be considered independent.

Kobelyan Ashot Mikhailovich – Head of Consolidated Planning Management, Statutory Regulation and Organization of Procurement Activities of the Procurement Department of JSC Russian Grids

First elected to the Board of Directors of PJSC IDGC of Center and Volga Region on June 16, 2015.

Year of birth: 1980.

Education and qualifications: higher professional, Russian Presidential Academy of National Economy and Public Administration, degree in Corporate Management.

Zhukovsky Air Force Engineering Academy, degree in Maintenance of Aircraft and Engines

All positions held by the person in the Company and other organizations for the last 5 years and presently, including part-time positions, are listed below:

Period		Organization	Position
from	through		
2013	Present	PJSC Russian Grids	Head of Consolidated Planning Management, Statutory Regulation and Organization of Procurement Activities of the Procurement Department
2015	Present	PJSC IDGC of Center and Volga Region	Member of the Board of Directors

2007	2013	JSC FGC UES	Head of the Division for Organization of Selection of Service Providers, Material and Technical Resources, and Equipment of the Methodology and Procurement Department
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The Company's ordinary shares owned by the person (share in the charter capital): none.

In 2015, the person made no transactions with the shares in the Company.

Membership in the committees of the Board of Directors of PJSC IDGC of Center and Volga Region:

Member of the HR and Remunerations Committee of the Board of Directors;

Member of the Audit Committee of the Board of Directors.

Information on independence of the member of the Board of Directors:

In accordance with the Listing Rules of CJSC MICEX Stock Exchange, the member cannot be considered independent.

Petrov Sergey Aleksandrovich – Head of the Organization of Operation of Electrical Equipment of the Department of Production Assets Management of JSC Russian Grids

First elected to the Board of Directors of PJSC IDGC of Center and Volga Region on June 16, 2015.

Year of birth: 1978.

Education and qualifications: higher professional, Ulianov Chuvash State University, engineer.

All positions held by the person in the Company and other organizations for the last 5 years and presently, including part-time positions, are listed below:

Period		Organization	Position
from	through		
2015	Present	PJSC Russian Grids	Deputy Head of Administration – Head of the Production and Technical Division of the Department of Production Assets Management
2013	2015	PJSC Russian Grids	Head of the Organization of Operation of Electrical Equipment of the Department of Production Assets Management
2015	Present	PJSC IDGC of Center and Volga Region	Member of the Board of Directors
2014	2015	JSC IDGC of Ural	Member of the Board of Directors
2012	2013	JSC CIUS UES	Deputy Chief Engineer for Quality of Construction and Installation Works
2007	2012	JSC FGC UES branch – Vologda Backbone Electric Grids	Head of 750 kV Belozerskaya Substation

The Company's ordinary shares owned by the person (share in the charter capital): none.

In 2015, the person made no transactions with the shares in the Company.

Membership in the committees of the Board of Directors of PJSC IDGC of Center and Volga Region:

Member of the Audit Committee of the Board of Directors.

Information on independence of the member of the Board of Directors:

In accordance with the Listing Rules of CJSC MICEX Stock Exchange, the member cannot be considered independent.

Ushakov Evgeny Viktorovich – General Director of JSC IDGC of Center and Volga Region

The General Director of the Company. Information about Ushakov E.V. is provided in the "Corporate Governance" section of the Annual Report.

Filkin Roman Alekseevich

Elected to the Board of Directors of PJSC IDGC of Center and Volga Region eight times: on June 19, 2009, June 16, 2010, June 14, 2011, June 22, 2012, August 22, 2012, June 18, 2013, June 26, 2014 and June 16, 2015.

Year of birth: 1983.

Education and qualifications: higher professional, Financial Academy under the Government of the Russian Federation, economist with a degree in Finance and Credit.

All positions held by the person in the Company and other organizations for the last 5 years and presently, including part-time positions, are listed below:

Period		Organization	Position
from	through		
2009	Present	Representative Office of Prosperity Capital Management (RF) Ltd.	Director, Power Industry and Engineering; Co-Director, Power Industry and Engineering
2014	Present	PJSC IDGC of North-West	Member of the Board of Directors
2013	Present	JSC TGC-2	Member of the Board of Directors
2012	Present	JSC Dalenergomontazh	Member of the Board of Directors
2012	Present	JSC Smolensk Power Repair Company	Member of the Board of Directors
2012	2015	JSC Urengoytruboprovodstroy	Member of the Board of Directors
2012	2014	JSC Prokatmontazh	Member of the Board of Directors
2012	2014	JSC Noyabrskoelectrosetstroy	Member of the Board of Directors
2012	2014	JSC Kurgan Machine Engineering Plant	Member of the Board of Directors
2011	Present	PJSC IDGC of South	Member of the Board of Directors
2011	2013	JSC IDGC of North-West	Member of the Board of Directors
2010	2010	JSC Tambov Energy Retail Company	Member of the Board of Directors
2009	Present	PJSC IDGC of Center and Volga Region	Member of the Board of Directors
2009	Present	PJSC IDGC of Center	Member of the Board of Directors
2009	2011	JSC Magadanenergo	Member of the Board of Directors
2009	2011	JSC Bashkirenergo	Member of the Board of Directors
2009	2011	JSC Urengoytruboprovodstroy	Member of the Board of Directors

2008	2011	JSC Sevzapelektrosetstroy	Member of the Board of Directors
2009	2011	JSC Yuzhtruboprovodstroy	Member of the Board of Directors
2008	2011	JSC Dalenergomontazh	Member of the Board of Directors
2008	2011	JSC Novaya Era	Member of the Board of Directors
2008	2011	JSC Novgorodoblkommunelektro	Member of the Supervisory Board
2008	2011	JSC Energospetsmontazh	Member of the Board of Directors
2008	2009	JSC Tambov Energy Retail Company	Member of the Board of Directors
2007	2011	JSC Novgorodsetstroy	Member of the Board of Directors
2007	2009	JSC TGC-2	Member of the Board of Directors
2006	2014	JSC TGC-6	Member of the Board of Directors
2006	2011	JSC Tver Power Repair Company	Member of the Board of Directors
2006	2011	JSC Penza Power Repair Company	Member of the Board of Directors
2006	2011	JSC Smolensk Power Repair Company	Member of the Board of Directors
2006	2011	JSC Dagestan Power Retail Company	Member of the Board of Directors

The Company's ordinary shares owned by the person (share in the charter capital): none.

The Company has no evidence of purchase or disposal of the Company's shares by the person in 2015.

Membership in the committees of the Board of Directors of PJSC IDGC of Center and Volga Region:

Member of the HR and Remunerations Committee of the Board of Directors;

Member of the Audit Committee of the Board of Directors;

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

Information on independence of the member of the Board of Directors:

In accordance with the Listing Rules of CJSC MICEX Stock Exchange, the member cannot be considered independent.

Chistyakov Vladimir Sergeevich

Elected to the Board of Directors of PJSC IDGC of Center and Volga Region eight times: on June 19, 2009, June 16, 2010, June 14, 2011, June 22, 2012, August 22, 2012, June 18, 2013, June 26, 2014 and June 16, 2015.

Year of birth: 1959.

Education and qualifications: higher professional, Saratov State University, Radiophysics.

All positions held by the person in the Company and other organizations for the last 5 years and presently, including part-time positions, are listed below:

Period		Organization	Position
from	through		
2008	Present	CJSC Energy Union Investment Holding	First Deputy General Director
2010	Present	LLC Togliatti Transformer	General Director
2009	Present	PJSC IDGC of Center and Volga Region	Member of the Board of Directors
2009	Present	JSC Elektrotsentraladka (JSC ETsN)	Member of the Board of Directors

The Company's ordinary shares owned by the person (share in the charter capital): none.

The Company has no evidence of purchase or disposal of the Company's shares by the person in 2015.

Membership in the committees of the Board of Directors of PJSC IDGC of Center and Volga Region:

Member of the HR and Remunerations Committee of the Board of Directors;

Member of the Audit Committee of the Board of Directors;

Chairman of the Committee for Technological Connection to Power Grids of the Board of Directors.

Information on independence of the member of the Board of Directors:

In accordance with the Listing Rules of CJSC MICEX Stock Exchange, the member cannot be considered independent.

Shevchuk Aleksandr Viktorovich

Elected to the Board of Directors of PJSC IDGC of Center and Volga Region two times: on June 26, 2014 and June 16, 2015.

Year of birth: 1983.

Education and qualifications: higher professional, Financial Academy under the Government of the Russian Federation, economist

All positions held by the person in the Company and other organizations for the last 5 years and presently, including part-time positions, are listed below:

Period		Organization	Position
from	through		
2014	Present	Association of Institutional Investors (before January 13, 2015, Investor Rights Protection Association)	Executive Director
2004	2014	Investor Rights Protection Association	Deputy Executive Director
2015	Present	PJSC IDGC of Center	Member of the Board of Directors
2015	Present	PJSC WGC-2	Member of the Board of Directors
2012	Present	PJSC MOSTOTREST	Member of the Board of Directors
2014	Present	PJSC IDGC of Center and Volga Region	Member of the Board of Directors
2011	2012	JSC IDGC of Northern Caucasus	Member of the Board of Directors
2011	2012	JSC IDGC of North-West	Member of the Board of Directors
2011	2014	JSC IDGC of Center	Member of the Board of Directors
2011	Present	PJSC IDGC of South	Member of the Board of Directors
2011	2012	JSC Volgogradgorgaz	Member of the Board of Directors
2011	2012	JSC Urengoytruboprovodstroy	Member of the Board of Directors
2010	2011	JSC CenterTelecom	Member of the Board of Directors
2010	2011	JSC YuTK	Member of the Board of Directors
2009	2011	CJSC NSS	Member of the Board of Directors
2010	2011	JSC Sibirtelecom	Member of the Board of Directors
2006	2011	JSC Dalsvyaz	Member of the Board of Directors

The Company's ordinary shares owned by the person (share in the charter capital): none.

The Company has no evidence of purchase or disposal of the Company's shares by the person in 2015.

Membership in the committees of the Board of Directors of PJSC IDGC of Center and Volga Region:

Member of the HR and Remunerations Committee of the Board of Directors;

Member of the Audit Committee of the Board of Directors;

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

Information on independence of the member of the Board of Directors:

In accordance with the Listing Rules of CJSC MICEX Stock Exchange, the member is considered independent.

1.2. The Management Board of the Company

The composition of the Management Board of PJSC IDGC of Center and Volga Region was approved by the Board of Directors (Minutes No. 9 dated March 5, 2008). Amendments were made by resolutions of the Board of Directors (Minutes No. 10 dated March 24, 2008, Minutes No. 17 dated June 25, 2008, Minutes No. 21 dated September 24, 2008, Minutes No. 55 dated April 30, 2010).

By resolution of the Board of Directors of PJSC IDGC of Center and Volga Region dated December 30, 2015 (Minutes No. 209 dated January 11, 2016), the authority of Yashanina Irina Viktorovna, the member of the Management Board of PJSC IDGC of Center and Volga Region and Deputy General Director - Head of Administration of PJSC IDGC of Center and Volga Region, was terminated; **the new composition of the Management Board includes 8 (eight) persons.**

Ushakov Evgeny Viktorovich – Chairman of the Management Board.

The General Director of the Company. Information about Ushakov E.V. is provided in the "Corporate Governance" section of the Annual Report.

Andrus Sergey Timofeevich – Deputy Chairman of the Management Board

Year of birth: 1962.

Education and qualifications: higher professional, Technical University of Moldova (Kishinev Polytechnic Institute), specialization: Power Plants, electrical engineer

All positions held by this person in the Company and other organizations for the last 5 years and presently, including part-time positions, are listed below:

Period		Organization	Position
from	through		
2007	Present	PJSC IDGC of Center and Volga Region	Deputy General Director – CTO; Deputy General Director for Technical Issues – Chief Engineer, First Deputy General Director - Chief Engineer
2008	Present	PJSC IDGC of Center and Volga Region	Deputy Chairman of the Management Board
2012	Present	JSC Vichuga Municipal Power Grid	Member of the Board of Directors

2011	Present	JSC ATU	Member of the Board of Directors
2011	Present	JSC Kineshma Municipal Power Grid	Member of the Board of Directors
2011	2011	JSC Vichuga Municipal Power Grid	Member of the Board of Directors

The Company's ordinary shares owned by the person (share in the charter capital) as of December 31, 2015: 0.012%.

The Company has no evidence of purchase or disposal of the Company's shares by the person in 2015.

Vedernikov Andrey Yurievich – Deputy General Director for Sales and Services Development of PJSC IDGC of Center and Volga Region.

Year of birth: 1976.

Education and qualifications: higher professional, Vyatka State Technical University, Electrical Power Systems and Connections, electrical engineer; Vyatka State Agricultural Academy, Finance and Credit, economist.

All positions held by the person in the Company and other organizations for the last 5 years and presently, including part-time positions, are listed below:

Period		Organization	Position
from	through		
2007	Present	PJSC IDGC of Center and Volga Region	Head of the Power Transportation Department, acting Deputy General Director for Sales and Services Development, Deputy General Director for Sales and Services Development
2010	Present	PJSC IDGC of Center and Volga Region	Member of the Management Board
2011	Present	CJSC Svet	Member of the Board of Directors
2011	2011	JSC Kineshma Municipal Power Grid	Member of the Board of Directors

The Company's ordinary shares owned by the person (share in the charter capital): none.

The Company has no evidence of purchase or disposal of the Company's shares by the person in 2015.

Nikitushkin Evgeny Vladimirovich – Head of the Treasury of PJSC IDGC of Center and Volga Region.

Year of birth: 1977.

Education and qualifications: higher professional, Peter the Great St. Petersburg Polytechnic University (Saint Petersburg State Technical University), Finance and Credit, economist.

All positions held by the person in the Company and other organizations for the last 5 years and presently, including part-time positions, are listed below:

Period		Organization	Position
from	through		
2008	Present	PJSC IDGC of Center and Volga	Head of the Treasury

		Region	
2008	Present	PJSC IDGC of Center and Volga Region	Member of the Management Board

The Company's ordinary shares owned by the person (share in the charter capital) as of December 31, 2015: 0.003%.

The Company has no evidence of purchase or disposal of the Company's shares by the person in 2015.

Podolskaya Lada Aleksandrovna – Deputy General Director for Corporate Governance of PJSC IDGC of Center and Volga Region.

Year of birth: 1974.

Education and qualifications: higher professional, Ural State Law Academy, degree in Law, lawyer.

All positions held by the person in the Company and other organizations for the last 5 years and presently, including part-time positions, are listed below:

Period		Organization	Position
from	through		
2007	Present	PJSC IDGC of Center and Volga Region	Deputy General Director for Corporate Governance
2008	Present	PJSC IDGC of Center and Volga Region	Member of the Management Board
2013	2015	JSC IEC Energoefficiency Technologies	Member of the Board of Directors
2012	Present	JSC Berendeevskoe	Member of the Board of Directors
2011	Present	JSC Sanatorium-Preventorium Energetik	Member of the Board of Directors
2011	2013	JSC Kineshma Municipal Power Grid	Member of the Board of Directors
2011	Present	JSC Vichuga Municipal Power Grid	Member of the Board of Directors

The Company's ordinary shares owned by the person (share in the charter capital) as of December 31, 2015: 0.006%.

The Company has no evidence of purchase or disposal of the Company's shares by the person in 2015.

Prepodobny Aleksandr Vasilievich – Deputy General Director for Security of PJSC IDGC of Center and Volga Region.

Year of birth: 1954.

Education and qualifications: higher professional, Gorky Higher School of the Ministry of Internal Affairs of USSR, degree in Law, lawyer, PhD in Law.

All positions held by the person in the Company and other organizations for the last 5 years and presently, including part-time positions, are listed below:

Period		Organization	Position
from	through		

2008	Present	PJSC IDGC of Center and Volga Region	Deputy General Director for Security
2008	Present	PJSC IDGC of Center and Volga Region	Member of the Management Board

The Company's ordinary shares owned by the person (share in the charter capital): none.

The Company has no evidence of purchase or disposal of the Company's shares by the person in 2015.

Tikhomirova Olga Vladimirovna – Deputy General Director for Economics and Finance of PJSC IDGC of Center and Volga Region.

Year of birth: 1964.

Education and qualifications: higher professional, Moscow Power Engineering Institute of the Order of Lenin and the Order of October Revolution, Industrial Electronics, Engineering Technician; All-Russian Distance Institute of Finance and Economics, Finance and Credit, economist, PhD in Economics.

All positions held by the person in the Company and other organizations for the last 5 years and presently, including part-time positions, are listed below:

Period		Organization	Position
from	through		
2008	Present	PJSC IDGC of Center and Volga Region	Deputy General Director for Economics and Finance
2008	Present	PJSC IDGC of Center and Volga Region	Member of the Management Board
2012	Present	JSC Sanatorium-Preventorium Energetik	Member of the Board of Directors
2011	Present	JSC Berendeevskoe	Member of the Board of Directors

The Company's ordinary shares owned by the person (share in the charter capital) as of December 31, 2015: 0.003%.

The Company has no evidence of purchase or disposal of the Company's shares by the person in 2015.

Shitts Vladimir Viktorovich – Deputy General Director for Investment Activities of PJSC IDGC of Center and Volga Region.

Year of birth: 1972.

Education and qualifications: higher professional, Omsk State Technical University, Power Supply, electrical engineer.

All positions held by the person in the Company and other organizations for the last 5 years and presently, including part-time positions, are listed below:

Period		Organization	Position
from	through		
2007	Present	PJSC IDGC of Center and Volga Region	Deputy General Director for Investment Activities, Deputy General Director for

			Capital Construction
2008	Present	PJSC IDGC of Center and Volga Region	Member of the Management Board

The Company's ordinary shares owned by the person (share in the charter capital): none.

The Company has no evidence of purchase or disposal of the Company's shares by the person in 2015.

Yashanina Irina Viktorovna – Deputy General Director – Head of Administration of PJSC IDGC of Center and Volga Region.

Year of birth: 1962.

Education and qualifications: higher professional, Ordzhonikidze Moscow Management Institute of the Order of the Red Banner of Labor, Management in Power Engineering, engineer-economist with a degree in Organization of Production Management.

All positions held by the person in the Company and other organizations for the last 5 years and presently, including part-time positions, are listed below:

Period		Organization	Position
from	through		
2007	Present	PJSC IDGC of Center and Volga Region	Deputy General Director for Controlling and External Relations, Deputy General Director - Head of Administration
2008	2016	PJSC IDGC of Center and Volga Region	Member of the Management Board

The Company's ordinary shares owned by the person (share in the charter capital) as of December 31, 2015: 0.005%.

The Company has no evidence of purchase or disposal of the Company's shares by the person in 2015.

1.3. The Audit Commission of the Company.

The number of the Company's Audit Commission members as stipulated by Paragraph 24.1 of Article 24 of the Company's Charter is 5 (five) persons.

There were two compositions of the Audit Commission in the reporting period.

The current members of the Audit Commission were elected at the Annual General Shareholders Meeting of the Company on June 16, 2015 (Minutes No. 9 dated June 16, 2015) (positions are indicated as of the moment of election):

Lelekova Marina Alekseevna - Chairman of the Audit Commission

Elected to the Audit Commission of PJSC IDGC of Center and Volga Region three times: on June 18, 2013, June 26, 2014 and June 16, 2015.

By resolution of the Audit Commission of PJSC IDGC of Center and Volga Region (Minutes No. 1 dated July 17, 2015), M.A. Lelekova was elected Chairman of the Company's Audit Commission.

Year of birth: 1961.

Education: higher.

All positions held by the person in the issuer and other organizations for the last 5 years and presently, including part-time positions, are listed below:

Period		Organization	Position
from	through		
2013	Present	PJSC Russian Grids	Director of the Department for Internal Audit and Control, Director of the Department for Control Activities, Director of the Department for Control and Auditing Activities
2013	Present	PJSC IDGC of Center and Volga Region	Chairman of the Audit Commission
2009	2013	JSC FGC UES	Head the Department for Control and Audit
2008	2009	JSC FGC UES	Head of the Directorate for Financial Control and Internal Audit

Share in the charter capital: none.

Kirillov Artem Nikolaevich

Elected to the Audit Commission of PJSC IDGC of Center and Volga Region two times: on June 26, 2014 and June 16, 2015.

Year of birth: 1984.

Education: higher.

All positions held by the person in the Company and other organizations for the last 5 years and presently, including part-time positions, are listed below:

Period		Organization	Position
from	through		
2014	Present	PJSC IDGC of Center and Volga Region	Member of the Audit Commission
2013	Present	PJSC Russian Grids	Head of the Investment Audit Division of the Administration for Audit Activities and Internal Audit of the Department for Internal Audit and Control, Deputy Head of the Administration for Audit Activities of the Department for Control Activities
2012	2013	JSC FGC UES	Chief Expert of the Department for Control and Audit
2009	2012	JSC FGC UES	Chief Specialist of the Department for Control and Audit

2008	2009	JSC MOESK	Chief Specialist of the Division for Pricing of Connection Facilities
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Share in the charter capital: none.

Lukovkina Irina Pavlovna

First elected to the Audit Commission of PJSC IDGC of Center and Volga Region on June 16, 2015.

Year of birth: 1970.

Education: higher.

All positions held by the person in the Company and other organizations for the last 5 years and presently, including part-time positions, are listed below:

Period		Organization	Position
from	through		
2015	Present	PJSC IDGC of Center and Volga Region	Member of the Audit Commission
2013	2015	PJSC Russian Grids	Chief Expert of the Administration for Control and Risks of the Department for Control Activities
2012	2013	JSC Moskovsky Uzel Svyazi Energetiki	Leading Expert of the Budget Division of the Financial and Economic Department, Chief Expert on Internal Audit
2008	2012	Gazpromipoteka Mortgage Assistance Fund	Chief Economist of the Division for Financial Planning and Liquidity Management

Share in the charter capital: none.

Medvedeva Oksana Alekseevna

First elected to the Audit Commission of PJSC IDGC of Center and Volga Region on June 16, 2015.

Year of birth: 1978.

Education: higher.

All positions held by the person in the issuer and other organizations for the last 5 years and presently, including part-time positions, are listed below in chronological order:

Period		Organization	Position
from	through		
2015	Present	PJSC IDGC of Center and Volga Region	Member of the Audit Commission
2014	Present	PJSC Russian Grids	Chief Expert of the Department for Control Activities, Chief Expert of the Department for Control and Auditing Activities
2011	2014	JSC FGC UES	Head the Division for Control and Audit
2010	2011	LLC Transport Company Baikal Service	Head of the Internal Audit Division

Share in the charter capital: none.

Guseva Elena Yurievna

First elected to the Audit Commission of PJSC IDGC of Center and Volga Region on June 16, 2015.

Year of birth: 1970.

Education: higher.

All positions held by the person in the issuer and other organizations for the last 5 years and presently, including part-time positions, are listed below in chronological order:

Period		Organization	Position
from	through		
2015	Present	PJSC IDGC of Center and Volga Region	Member of the Audit Commission
2013	Present	PJSC Russian Grids	Chief Expert of the Directorate for Internal Audit
2009	2013	JSC IDGC of South	Chief Specialist of the Department for Internal Audit and Risk Management

Share in the charter capital: none.

From June 26, 2014 through June 16, 2015, the Audit Commission was composed of the following members elected at the Annual General Shareholders Meeting of June 26, 2014 (Minutes No. 8 dated June 26, 2014) (positions are indicated as of the moment of election):

1. *Lelekova Marina Alekseevna (Chairman of the Audit Commission)*

Year of birth: 1961.

Education: higher.

Name of employer and position: Director of the Internal Audit and Control Department of JSC Russian Grids

2. *Kirillov Artem Nikolaevich*

Year of birth: 1984.

Education: higher.

Name of employer and position: Head of the Investment Audit Division of the Audit Activity and Internal Audit Administration of the Internal Audit and Control Department of JSC Russian Grids.

3. *Bunyaeva Mariya Viktorovna*

Year of birth: 1982.

Education: higher.

Name of employer and position: Leading Expert of the General Audit and Inspections Division of the Audit Activity and Internal Audit Administration of the Internal Audit and Control Department of JSC Russian Grids.

4. *Malyshev Sergey Vladimirovich*

Year of birth: 1965.

Education: higher.

Name of employer and position: Leading Expert of the Investment Audit Division of the Audit Activity and Internal Audit Administration of the Internal Audit and Control Department of JSC Russian Grids.

5. *Pokrovsky Sergey Vladimirovich*

Year of birth: 1973.

Education: higher professional.

Name of employer and position: Expert, Deputy Executive Director of the Investor Rights Protection Association.

2. Reports on Operations of the Committees of the Board of Directors

2.1. The Audit Committee

The current composition of the Audit Committee was approved by the Board of Directors on July 23, 2015 (Minutes No. 193) (positions are specified as of the election date).

- 1. Varlamov Nikolay Nikolaevich** (Chairman of the Committee) – Deputy General Director for Audit and Control of JSC Russian Grids.
- 2. Guriyanov Denis Lvovich** (Deputy Chairman of the Committee) – Director of the Department for Corporate Governance and Shareholder and Investor Relations of JSC Russian Grids.
- 3. Shevchuk Aleksandr Viktorovich** – Executive Director of the Association of Institutional Investors.
- 4. Kobelyan Ashot Mikhailovich** – Head of Consolidated Planning Management, Statutory Regulation and Organization of Procurement Activities of the Procurement Department of JSC Russian Grids.
- 5. Petrov Sergey Aleksandrovich** – Head of the Organization of Operation of Electrical Equipment of the Department of Production Assets Management of JSC Russian Grids.
- 6. Chistyakov Vladimir Sergeevich** – First Deputy General Director of CJSC Energy Union Investment Holding.
- 7. Filkin Roman Alekseevich** – Co-Director, Power Industry and Engineering, at the Representative Office of Prosperity Capital Management (RF) Ltd.

The composition of the Audit Committee, approved by the Board of Directors on July 22, 2014 (Minutes No. 163) (positions are specified as of the election date).

- 1. Varlamov Nikolay Nikolaevich** (Chairman of the Committee) – Deputy General Director for Audit and Control of JSC Russian Grids.
- 2. Shevchuk Aleksandr Viktorovich** (Deputy Chairman of the Committee) – Executive Director of the non-profit organization Investor Rights Protection Association
- 3. Ivanova Tatyana Aleksandrovna** – Head of the Administration of Tariff Formation Methodology of the Tariff Policy Department of JSC Russian Grids.
- 4. Stepanova Mariya Dmitrievna** – Head of the Administration of Shareholder and Investor Relations of the Department for Corporate Governance and Shareholder and Investor Relations of JSC Russian Grids.
- 5. Chistyakov Vladimir Sergeevich** – First Deputy General Director of CJSC Energy Union Investment Holding.
- 6. Filkin Roman Alekseevich** – Co-Director, Power Industry and Engineering, at the Representative Office of Prosperity Capital Management (RF) Ltd.

The purpose of the Audit Committee of the Board of Directors of PJSC IDGC of Center and Volga Region is efficient participation of the Board of Directors in monitoring financial and economic activities of the Company.

The main task of the Committee is development and submission of recommendations to the Board of Directors in order to monitor:

- the process of and procedures for preparing financial (accounting) statements, including consideration of financial (accounting) statements;
- the efficiency of the Internal Control and Risk Management Systems;
- the selection of an independent external auditor and assessment of its performance;
- the activities of the unit responsible for internal control/audit of the Company;
- the Company's compliance with the legislation of the Russian Federation, industry standards and internal regulatory documents of the Company.

The Audit Committee of the Board of Directors includes an independent director with experience and knowledge of preparation, analysis, assessment and audit of accounting (financial) statements: Shevchuk Aleksandr Viktorovich – Executive Director of the Association of Institutional Investors.

In 2015, the Board of Directors of the Company considered issues of organization, functioning and efficiency of the Internal Control and Risk Management System (Minutes of the Board of Directors for 2015 are available on the Company's website http://www.mrsk-cp.ru/about/management/directors/decisions_of_directors/):

- On consideration of the report on performance of the Internal Control System in 2014 (Minutes No. 180 dated March 16, 2015).
- On consideration of the report of the Sole Executive Body of the Company on the management of the Company's key risks in 2014 (Minutes No. 184 dated April 24, 2015);
- On approval of the report on the business plan implementation, including the investment program and information on the key operational risks of PJSC IDGC of Center and Volga Region, for the first half of 2015 (Minutes No. 197 dated September 18, 2015);
- On approval of the adjusted business plan of PJSC IDGC of Center and Volga Region for 2015, including the investment program and information on the key operational risks (Minutes No. 201 dated November 16, 2015);
- On approval of the budget of the Internal Audit and Control Department of the Company for 2016 (Minutes No. 205 dated December 21, 2015);
- On approval of the work schedule of the Internal Audit and Control Department of the Company for 2016 (Minutes No. 205 dated December 21, 2015);
- On approval of the business plan of the Company for 2016, including the investment program and information on the key operational risks, and indicator forecasts for 2017-2020 (Minutes No. 207 dated December 28, 2015);
- On approval of the report on the business plan implementation, including the investment program and information on the key operational risks of the Company, for the first nine months of 2015 (Minutes No. 208 dated December 28, 2015).

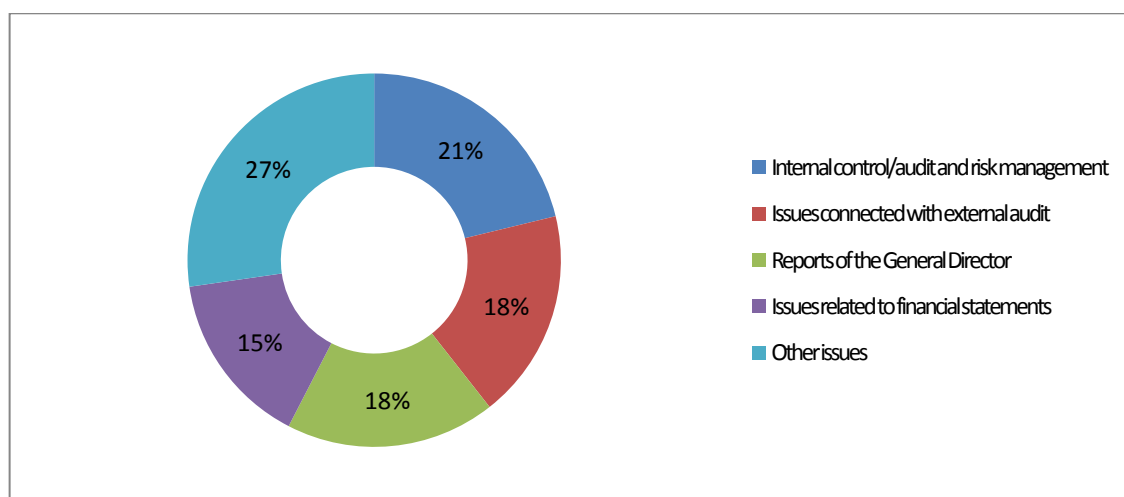
Important issues addressed by the Audit Committee of the Board of Directors in 2015 include:

- consideration of performance of the Internal Control and Risk Management System (Minutes No. 9/57 dated March 2, 2015).
- preliminary approval of the candidate for the position of the Company's external auditor to audit accounting (financial) statements of the Company for 2015, prepared in accordance with RAS, and to audit consolidated financial statements for 2015, prepared in accordance with IFRS (Minutes No. 13/61 dated April 30, 2015);

- assessment of the performance quality of the external auditor, including assessment of the auditor's opinion on accounting (financial) statements of the Company for 2014, prepared in accordance with RAS (Minutes No. 12/60 dated April 15, 2015);
 - regular consideration of accounting (financial) statements of the Company, prepared in accordance with RAS, and consolidated financial statements, prepared in accordance with IFRS (Minutes No. 12/60 dated April 15, 2015, Minutes No. 13/61 dated April 30, 2015, Minutes No. 2/64 dated September 19, 2015 and Minutes No. 4/66 dated December 24, 2015);
 - approval of the work schedule and budget of the Internal Audit and Control Department of the Company for 2016 (Minutes No. 3/65 dated December 3, 2015);
 - regular consideration of the written information provided by the external auditor on key problems of accounting (financial) statements of the Company (Minutes No. 12/20 dated April 15, 2015 and Minutes No. 4/66 dated December 24, 2015);
 - discussion of important aspects of the Company's accounting policy and changes planned for 2016 with the participation of the external auditor (Minutes No. 4/66 dated December 24, 2015);
 - regular consideration of the reports on implementation of the work schedule and results of activities of internal audit (Minutes No. 11/59 dated March 31, 2015, Minutes No. 14/62 dated May 19, 2015, Minutes No. 32/64 dated September 19, 2015 and Minutes No. 4/66 dated December 24, 2015);
 - regular consideration of the reports of the Sole Executive Body on key operational risks of the Company (Minutes No. 11/59 dated March 31, 2015 and Minutes No. 2/64 dated September 19, 2015);
 - review of information of the Company's non-standard transactions and events management, as well as on formation of the reserve for bad debts and estimated liabilities (Minutes No. 9/57 dated March 2, 2015 and Minutes No. 4/66 dated December 24, 2015);
 - approval of the amended form and structure of the report of the Internal Audit Unit on implementation of the work schedule and on results of internal audit activities (Minutes No. 12/20 dated April 15, 2015);
- consideration of the report on performance of the Company's Internal Control System (Minutes No. 9/52 dated March 2, 2015).

All minutes of the Audit Committee of the Company's Board of Directors for 2015 are available on the website of the *Company:* http://www.mrsk-cp.ru/about/management/directors/board_committees/audit/decisions_of_committee_audit/

Main groups of issues



2.2. The Strategy and Development Committee

The current composition of the Strategy and Development Committee was approved by the Board of Directors on July 22, 2014 (Minutes No. 163) (positions are specified as of the election date).

1. Pavlov Aleksey Igorevich (Chairman of the Committee) – Director of the Treasury Department of PJSC Russian Grids.
2. Sofyin Vladimir Vladimirovich (Deputy Chairman of the Committee) – Director of the Department for Technological Development and Innovations of PJSC Russian Grids.
3. Bogacheva Irina Vladimirovna – Head of the Department for Analysis and Assessment of Investment Projects Efficiency of the Investment Department of PJSC Russian Grids.
4. Gurenkova Irina Sergeevna – Head of the Department for Tariff formation of PJSC Russian Grids.
5. Guriyanov Denis Lvovich – Director of the Department for Corporate Governance and Shareholder and Investor Relations of PJSC Russian Grids.
6. Lavrova Marina Aleksandrovna – Head of the Administration for the Economy of Subsidiary and Dependent Companies of PJSC Russian Grids.
7. Troinina Olga Nikolaevna – Chief Expert of the Strategic Planning Administration of PJSC Russian Grids.
8. Tyukanko Aleksey Sergeevich – Head of the Information Administration of PJSC Russian Grids.
9. Ushakov Evgeny Viktorovich – General Director of PJSC IDGC of Center and Volga Region. The General Director of the Company. Information about Ushakov E.V. is provided in the "Corporate Governance" section of the Annual Report.
10. Saveliev Maksim Ilyich – General Director of LLC Soyuz-Invest.
11. Zharikov Aleksey Nikolaevich – Director of the Department for Corporate Policy and Shareholder Relations of JSC Elektrosentraladka.
12. Klaptsov Aleksey Vitalievich – Vice President of Specialised Research Limited.
13. Filkin Roman Alekseevich – Co-Director, Power Industry and Engineering, at the Representative Office of Prosperity Capital Management (RF) Ltd.

14. Shevchuk Aleksandr Viktorovich – Executive Director of non-profit organization Investor Rights Protection Association.
15. Skulkin Vyacheslav Sergeevich – Deputy Director of the Department of Electricity of the Ministry of Energy of the Russian Federation (Minenergo of Russia).
16. Bogashov Aleksandr Evgenievich – Head of the Department for Corporate Governance, Pricing Environment, Audit and Control in Fuel and Energy Industry of the Ministry of Energy of the Russian Federation (Minenergo of Russia).

The Board of Directors (Minutes No. 203 dated November 20, 2015) made the following changes: 1. Early termination of the powers of the following members of the Strategy and Development Committee of the Board of Directors:

- Krasnikov Valery Nikolaevich

- Podlutsky Sergey Vasilievich

2. Election of the following candidates to the Strategy and Development Committee of the Board of Directors:

- Pavlov Aleksey Igorevich – Director of the Treasury Department of PJSC Russian Grids.

- Bogacheva Irina Vladimirovna – Head of the Department for Analysis and Assessment of Investment Projects Efficiency of the Investment Department of PJSC Russian Grids.

The composition of the Strategy and Development Committee, approved by the Board of Directors on July 22, 2014 (Minutes No. 163) and October 30, 2014 (Minutes No. 169) (positions are specified as of the election date).

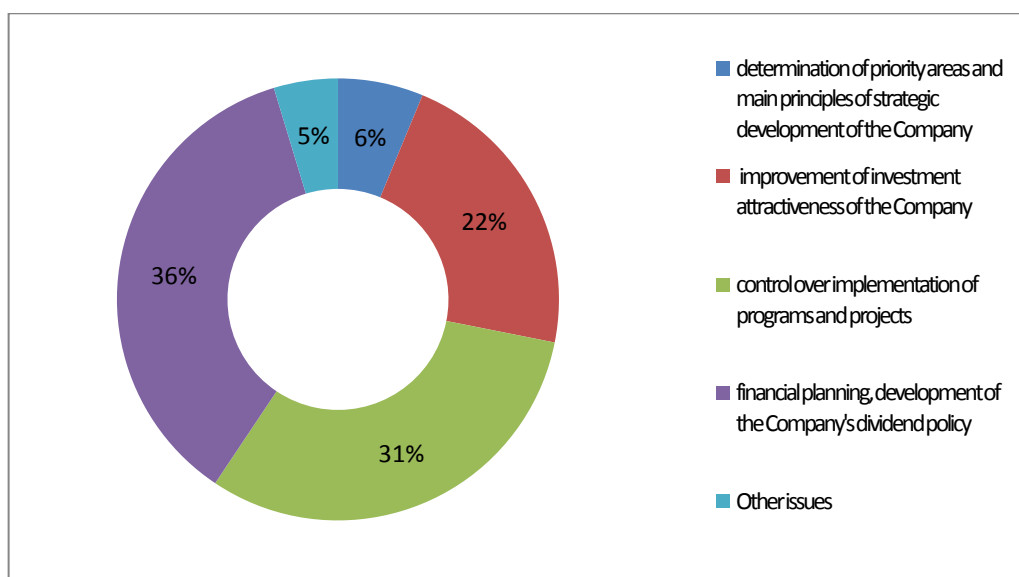
1. Krasnikov Valeriy Nikolaevich (Chairman of the Committee) – Director of the Department for Corporate Finance of JSC Russian Grids.
2. Gurenkova Irina Sergeevna – Head of the Department for Tariff Formation of JSC Russian Grids.
3. Zharikov Aleksey Nikolaevich – Director of the Department for Corporate Policy and Shareholder Relations of JSC Elektrosentraladka.
4. Klaptsov Aleksey Vitalievich – Vice President of Specialised Research Limited.
5. Lavrova Marina Aleksandrovna – Head of the Administration for the Economy of Subsidiary and Dependent Companies of the Department for Economic Planning and Budgeting of JSC Russian Grids.
6. Lazareva Mariya Valerievna – Director of the Expert and Analytical Department of JSC Russian Grids.
7. Podlutsky Sergey Vasilievich – Head of Consolidated Planning Management and Reporting of JSC Russian Grids.
8. Sofyin Vladimir Vladimirovich (Deputy Chairman of the Committee) – Director of the Department for Technological Development and Innovations of JSC Russian Grids.
9. Stepanova Mariya Dmitrievna – Head of the Administration of Shareholder and Investor Relations of JSC Russian Grids.
10. Ushakov Evgeny Viktorovich – General Director of JSC IDGC of Center and Volga Region.
11. Filkin Roman Alekseevich – Co-Director, Power Industry and Engineering, at the Representative Office.
12. Shevchuk Aleksandr Viktorovich – Deputy Executive Director of non-profit organization Investor Rights Protection Association.

The purpose of the Strategy and Development Committee of the Board of Directors of JSC IDGC of Center and Volga Region is efficient performance of the Board of Directors of the Company in solving issues within its competence.

The main task of the Committee is development and submission of recommendations (conclusions) to the Board of Directors of the Company on the following activities of the Board of Directors:

- determination of priority areas, strategic goals and main principles of strategic development of the Company;
- increasing investment attractiveness of the Company, improving investment activities and making informed investment decisions;
- making changes to the existing development strategy of the Company;
- control over the progress of implementation of adopted programs and projects;
- financial planning, formulation of the dividend policy of the Company;
- assessment of performance of the Company.

Main groups of issues



2.3. HR and Remunerations Committee

The current composition of the HR and Remunerations Committee was approved by the Board of Directors on July 23, 2015 (Minutes No. 193) (positions are specified as of the election date).

1. **Varlamov Nikolay Nikolaevich** (Chairman of the Committee) – Deputy General Director – Chief of Staff of PJSC Russian Grids.
2. **Guriyanov Denis Lvovich** (Deputy Chairman of the Committee) – Director of the Department for Corporate Governance and Shareholder and Investor Relations of PJSC Russian Grids.
3. **Fadeev Aleksandr Nikolaevich** – Deputy General Director for Security of PJSC Russian Grids.
4. **Kobelyan Ashot Mikhailovich** – Head of Consolidated Planning Management, Statutory Regulation and Organization of Procurement Activities of the Procurement Department of PJSC Russian Grids.
5. **Filkin Roman Alekseevich** – Director, Power Industry and Engineering, at the Representative Office of Prosperity Capital Management (RF) Ltd.
6. **Chistyakov Vladimir Sergeevich** – First Deputy General Director of CJSC Energy Union Investment Holding.
7. **Shevchuk Aleksandr Viktorovich** – Executive Director of non-profit organization Investor Rights Protection Association.

The composition of the HR and Remunerations Committee through June 25, 2015, approved by the Board of Directors on July 22, 2014 (Minutes No. 163) and October 28, 2014 (Minutes No. 169) (positions are specified as of the election date).

1. **Zholnerchik Svetlana Semyonovna** (Chairman of the Committee) – Deputy General Director of JSC Russian Grids.
2. **Varlamov Nikolay Nikolaevich** (Deputy Chairman of the Committee) – Deputy General Director for Audit and Control of JSC Russian Grids.
3. **Ivanova Tatyana Aleksandrovna** – Head of the Administration of Tariff Formation Methodology of the Tariff Policy Department of JSC Russian Grids.
4. **Stepanova Mariya Dmitrievna** – Head of the Administration of Shareholder and Investor Relations of the Department for Corporate Governance and Shareholder and Investor Relations of JSC Russian Grids.

5. Shevchuk Aleksandr Viktorovich – Deputy Executive Director of non-profit organization Investor Rights Protection Association.

6. Filkin Roman Alekseevich – Co-Director, Power Industry and Engineering, at the Representative Office of Prosperity Capital Management (RF) Ltd.

7. Chistyakov Vladimir Sergeevich – First Deputy General Director of CJSC Energy Union Investment Holding.

Functions of the HR and Remunerations Committee include improvement of the human resources policy of the Company, attraction of qualified specialists to the Company's management and development of necessary incentives for their successful work.

The HR and Remunerations Committee of the Board of Directors of the Company comprises independent directors with experience and knowledge of improvement of the human resources policy:

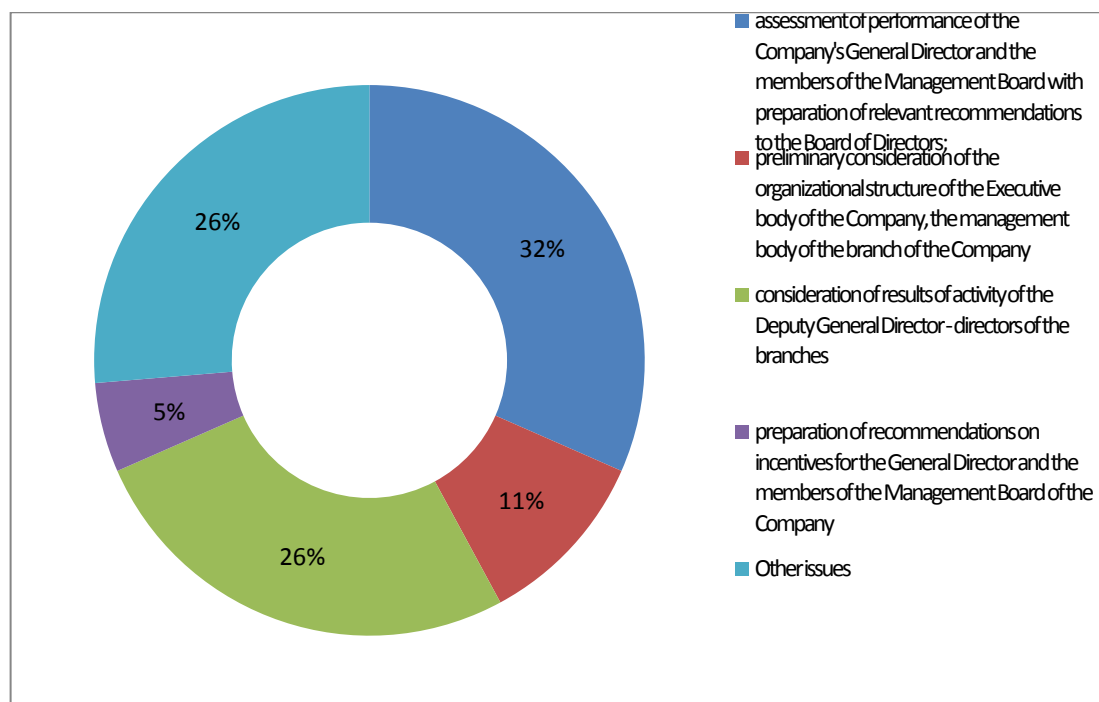
- Chistyakov Vladimir Sergeevich – First Deputy General Director of CJSC Energy Union Investment Holding;
- Shevchuk Aleksandr Viktorovich – Executive Director of non-profit organization Investor Rights Protection Association.

In 2015 the HR and Remunerations Committee of the Board of Directors held 11 meetings: 10 of them were held by absentee voting and 1 meeting in the form of copresence. 19 issues were considered, including:

- consideration of approval of the KPI Calculation and Performance Assessment Methods of the Sole Executive Body of JSC IDGC of Center and Volga Region (Minutes No. 7/62 dated February 26, 2015);
- consideration of approval of the youth talent pool of the Company specifying target positions (Minutes No. 9/64 dated April 24, 2015);
- consideration of performance results of the General Director of the Company due to expiration of the labor agreement. (Minutes No. 2/66 dated September 10, 2015);
- approval of the composition of the management talent pool of the Company specifying target positions (Minutes No. 5/69 dated December 24, 2015);
- consideration of the quantitative composition of the Management Board of the Company and termination of powers of a member of the Management Board (Minutes No. 6/70 dated December 29, 2015);
- regular assessment of performance of the General Director and the members of the Management Board of the Company followed by provision of recommendations to the Board of Directors of the Company (Minutes No. 9/64 dated April 24, 2015, Minutes No. 3/67 dated September 28, 2015, Minutes No. 6/70 dated December 23, 2015).

The Board of Directors of the Company was recommended to approve the results of achievement of the target values of quarterly KPIs by the General Director and top managers of the Company for Q4 2014, Q2 2015, Q2 2013 and Q3 2015.

Main groups of issues



2.4. Reliability Committee

The current composition of the Reliability Committee was approved by the Board of Directors on July 23, 2015 (Minutes No. 193) (positions are specified as of the election date).

1. **Gvozdev Dmitry Borisovich** (Chairman of the Committee) – Director of the Situation and Analytical Center of PJSC Russian Grids.
2. **Suchkov Vladimir Petrovich** (Deputy Chairman of the Committee) – Head of the Department for Energy Supervision and Efficiency of the branch of PJSC Russian Grids – Center of Technical Supervision.
3. **Saveliev Maksim Iliyich** – General Director of LLC Soyuz-Invest.
4. **Andrus Sergey Timofeevich** – Deputy General Director for Technical Issues – Chief Engineer of PJSC IDGC of Center and Volga Region.
5. **Tikhomirova Olga Vladimirovna** – Deputy General Director for Economics and Finance of PJSC IDGC of Center and Volga Region.
6. **Polovnev Igor Georgievich** – Financial Director of non-profit organization Investor Rights Protection Association.
7. **Korotenko Aleksandr Vasilievich** – Deputy Head of the Department for Long-Term Development of Electricity of the Department of Electricity of the Ministry of Energy of the Russian Federation (Minenergo of Russia).

The composition of the Reliability Committee through June 25, 2015, approved by the Board of Directors on July 22, 2014 (Minutes No. 163) (positions are specified as of the election date).

1. **Gvozdev Dmitry Borisovich** (Chairman of the Committee) – Director of the Situation and Analytical Center of PJSC Russian Grids.

2. Kosterin Sergey Glebovich – Deputy Chairman of the Committee) – Deputy Chief Engineer for Operation of JSC IDGC of Center and Volga Region.

3. Novomlinsky Eduard Vitalievich – Deputy Head of the Administration for Assets Analysis of JSC Russian Grids.

4. Andrus Sergey Timofeevich – Deputy General Director for Technical Issues – Chief Engineer of JSC IDGC of Center and Volga Region.

5. Tikhomirova Olga Vladimirovna – Deputy General Director for Economics and Finance of JSC IDGC of Center and Volga Region.

6. Zharikov Aleksey Nikolaevich – Director of the Department for Corporate Policy and Shareholder Relations of JSC Elektrosentraladka.

7. Polovnev Igor Georgievich – Financial Director of non-profit organization Investor Rights Protection Association.

The main goals of the Reliability Committee include development and submission of recommendations to the Board of Directors of the Company on fulfillment of the following duties: examination of investment programs and plans for repair of power facilities; assessment of completeness and sufficiency of activities aimed at elimination of consequences of accidents and serious technological violations; and analysis of activities focused on implementation of contractual and economical mechanisms for reliability management.

In 2015, the Reliability Committee of the Board of Directors of the Company held 14 meetings by absentee voting. 45 issues were considered, including:

- consideration of information on fixed assets of power facilities of the Company on a quarterly basis (Minutes No. 12/87 dated April 24, 2015, Minutes No. 13/88 dated June 10, 2015, Minutes No. 1/90 dated August 21, 2015 and Minutes No. 5/94 dated November 30, 2015).

- consideration of the report on operation during the 2014-2015 autumn and winter season (Minutes No. 9/84 dated February 17, 2015).

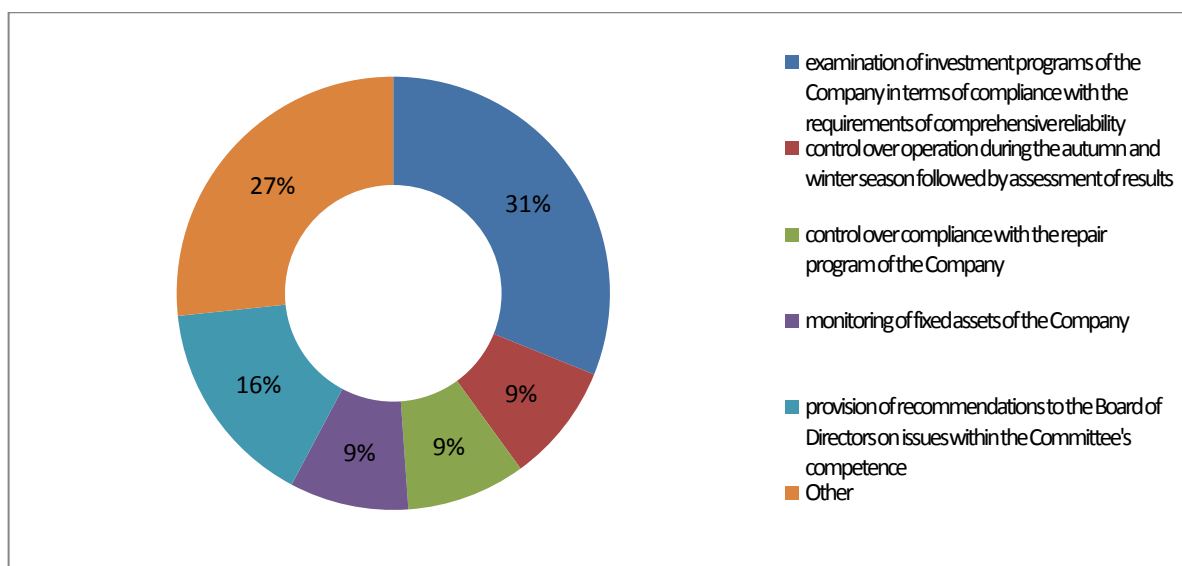
- consideration of the report of the General Director of the Company on meeting the targets for quality and reliability of rendered services as established by the regulatory bodies of the entities of the Russian Federation in the reporting year 2014 (Minutes No. 11/86 dated March 17, 2015).

- consideration of information on implementation of activities aimed at prevention of faulty and incorrect actions of staff, as well as programs for prevention and reduction of risks of injury in 2015 (Minutes No. 5/94 dated November 30, 2015).

- consideration of the report of the Company on analysis of the following issues: year-on-year changes in values for the first six months of 2015; the causes of variation in reliability indicators "Average duration of interruption of consumer power supply" and "Average frequency of interruption of consumer power supply" across the branches of the Company; and proposals on the methods of setting the target values for 2017 (Minutes No. 4/93 dated November 10, 2015).

- consideration of the Company's investment program for 2016 and forecast for 2017-2020 (Minutes No. 6/95 dated December 21, 2015).

Main groups of issues



2.5 The Committee for Technological Connection to Power Grids

The current composition of the Committee for Technological Connection to Power Grids was approved by the Board of Directors on July 23, 2015 (Minutes No. 193) (positions are specified as of the election date).

1. Chistyakov Vladimir Sergeevich (Chairman of the Committee) – First Deputy General Director of CJSC Energy Union Investment Holding.

2. Andrus Sergey Timofeevich (Deputy Chairman) – First Deputy General Director - Chief Engineer of PJSC IDGC of Center and Volga Region.

3. Mikheev Dmitry Dmitrievich – Head of the Department for Long-Term Development of Electricity of the Department of Electricity of the Ministry of Energy of the Russian Federation (Minenergo of Russia).

4. Polovnev Igor Georgievich – Financial Director of non-profit organization Investor Rights Protection Association.

5. Masaleva Irina Borisovna – Director of the Department for Long-term Grid Development and Technological Connection of PJSC Russian Grids.

The composition of the Reliability Committee through June 25, 2015, approved by the Board of Directors on July 22, 2014 (Minutes No. 163) (positions are specified as of the election date).

1. Chistyakov Vladimir Sergeevich (Chairman of the Committee) – First Deputy General Director of CJSC Energy Union Investment Holding.

2. Andrus Sergey Timofeevich (Deputy Chairman) – Deputy General Director for Technical Issues – Chief Engineer of JSC IDGC of Center and Volga Region.

3. Podolskaya Lada Aleksandrovna – Deputy General Director for Corporate Governance of JSC IDGC of Center and Volga Region.

4. Polovnev Igor Georgievich – Financial Director of non-profit organization Investor Rights Protection Association.

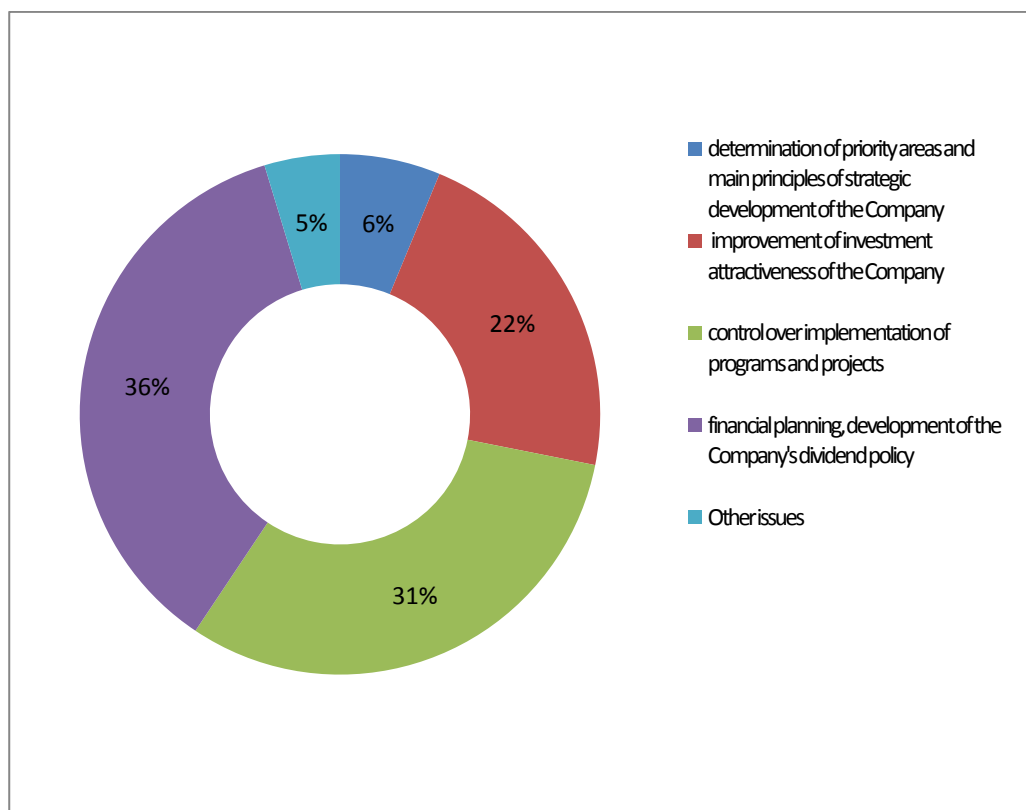
5. Korneev Aleksandr Yurievich – Head of the Department for Regulation of Technological Connection of the Department for Long-term Grid Development and Technological Connection of JSC Russian Grids.

The purpose of the Committee for Technological Connection to Power Grids is to ensure transparency of activities and non-discriminatory access to services of technological connection of consumers to the power grids of the Company.

In 2015, the Committee for Technological Connection to Power Grids of the Board of Directors of the Company held 5 meetings (by absentee voting), and 16 issues were considered, including:

- assessment of technological connection activities, including information on technological connection of generating facilities and consideration of complaints, on a quarterly basis (Minutes No. 4/32 dated March 27, 2015, Minutes No. 5/33 dated June 22, 2015, Minutes No. 1/34 dated September 4, 2015, Minutes No. 2/35 dated November 30, 2015);
- analysis of technological connection of small and medium-sized enterprises on a quarterly basis (Minutes No. 4/32 dated March 27, 2015, Minutes No. 5/33 dated June 22, 2015, Minutes No. 1/34 dated September 4, 2015, Minutes No. 2/35 dated November 30, 2015);

Main groups of issues



Supplement to the Corporate Governance Section

Key Rights of the Shareholders of JSC IDGC of Center and Volga Region

All shareholders are entitled to do the following:

1. To dispose of the shares owned by them without any consent from other shareholders or the Company (paragraph 4 of p.2.5 of Article 2 of the Articles of Association of the Company; paragraph 4 of p.1 of Article 2 of Federal Law No. 208 "On Joint-Stock Companies", dated December 26, 1995).
2. To participate in the General Shareholders Meeting either personally or by proxy, with the right to vote on all issues within the shareholder's competence (sub-paragraph 1 of p.6.2 of Article 6, p.11.8 of Article 11 of the Articles of Association of the Company; p.2 of Article 31 of Federal Law No. 208 "On Joint-Stock Companies", dated December 26, 1995).
3. To be informed on the activities of the Company and to inspect the documents of the Company in accordance with Article 91 of Federal Law "On Joint-Stock Companies", and other regulatory documents and the Articles of Association of the Company (sub-paragraph 3 of p. 6.2 of Article 6, paragraph 1 of p.26.5 of Article 26 of the Articles of Association of the Company; p.4 of Article 11; Article 91 of Federal Law No. 208 "On Joint-Stock Companies" dated December 26, 1995).
4. To receive dividends declared by the Company (sub-paragraph 4 of p.6.2 of Article 6 of the Articles of Association of the Company; p.2 of Article 31 of Federal Law No. 208 "On Joint-Stock Companies", dated December 26, 1995).
5. To exercise the pre-emptive purchase of additional shares placed by subscription and of equity securities convertible into shares. As stipulated by the legislation of the Russian Federation (p.5.5 of Article 5, sub-paragraph 5 of p.6.2 of Article 6 of the Articles of Association of the Company; p.1 of Article 40 of Federal Law No. 208 "On Joint-Stock Companies", dated December 26, 1995) the additional shares and equity securities can be purchased in the amount proportional to the amount of ordinary shares owned by the shareholder.
6. To receive a share of the Company's property in case of liquidation of the Company (sub-paragraph 6 of p.6.2 of Article 6 of the Articles of Association of the Company; Article 23, p.2 of Article 31 of Federal Law No. 208 "On Joint-Stock Companies", dated December 26, 1995).
7. In case of decisions of the management bodies of the Company, which lead to civil and legal consequences, to appeal against such decisions in cases stipulated by and in accordance with the legislation of the Russian Federation (sub-paragraph 7 of p.6.2 of Article 6 of the Articles of Association of the Company; p.7 of Article 49, p.6 of Article 68, p.3 of Article 70 of Federal Law No. 208 "On Joint-Stock Companies", dated December 26, 1995).
8. To request the reimbursement of losses, caused by the Company (sub-paragraph 8 of p.6.2 of Article 6 of the Articles of Association of the Company; p.5 of Article 71, p.1 of Article 93.1 of Federal Law No. 208 "On Joint-Stock Companies", dated December 26, 1995).
9. To challenge the deals made by the Company on the grounds, stipulated by the legislation of the Russian Federation, and to request the enforcement of invalidity consequences of void transactions (sub-paragraph 9

of p.6.2 of Article 6 of the Articles of Association of the Company; p.6 of Article 79, p.1 of Article 84 of Federal Law No. 208 “On Joint-Stock Companies”, dated December 26, 1995).

10. To execute the shareholders’ agreement (corporate agreement) with other shareholders of the Company and third parties (sub-paragraph 10 of p.6.2 of Article 6 of the Articles of Association of the Company; Article 32.1 of Federal Law No. 208 “On Joint-Stock Companies”, dated December 26, 1995; Article 67.2 of the Civil Code of the Russian Federation).

The shareholders who own at least 1% of votes are entitled to do the following:

To inspect the list of persons authorized to participate in the General Shareholders Meeting (p.4 of Article 51 of Federal Law No. 208 “On Joint-Stock Companies”, dated December 26, 1995).

The shareholders jointly owning at least 2% of shares of the Company are entitled to do the following:

1. To suggest issues for the agenda of the General Shareholders Meeting (sub-paragraph 2 of p.6.2 of Article 6, p.13.1 of Article 13 of the Articles of Association of the Company; p.1 of Article 53 of Federal Law No. 208 “On Joint-Stock Companies”, dated December 26, 1995).

2. To nominate candidates to the Board of Directors of the Company (p.13.1 of Article 13, sub-paragraph 14.9.2 of p.14.9 of Article 14 of the Articles of Association of the Company; p.1 of Article 53 of Federal Law No. 208 “On Joint-Stock Companies”, dated December 26, 1995).

3. To nominate candidates to the Internal Audit Commission of the Company (p.13.1 of Article 13 of the Articles of Association of the Company; p. 1. of Article 53 of Federal Law No. 208 “On Joint-Stock Companies”, dated December 26, 1995).

The shareholders jointly owning not less than 10% of shares of the Company are entitled to do the following:

1. To initiate the holding of an extraordinary General Shareholders Meeting (paragraph 1 of p.14.3 of Article 14 of the Articles of Association of the Company; p.1 of Article 55 of Federal Law No. 208 “On Joint-Stock Companies”, dated December 26, 1995).

2. To initiate the inspection (audit) of the financial and economic activities of the Company (p.24.7 of Article 24 of the Articles of Association of the Company; p. 3 of Article 85 of Federal Law No. 208 “On Joint-Stock Companies”, dated December 26, 1995).

The shareholders jointly owning not less than 25% of shares of the Company are entitled to do the following:

To inspect the accounting records and the minutes of the Management Board of the Company and to request the copies of said documents (paragraph 2 of p.26.5 of Article 26 of the Articles of Association of the Company; paragraph 1 of p.1 of Article 91 of Federal Law No. 208 “On Joint-Stock Companies”, dated December 26, 1995).

Compliance of JSC IDGC of Center and Volga Region with the Issuer’s Corporate Governance Requirements Stipulated by the Stock Exchange Listing Rules (CJSC MICEX Stock Exchange) for Maintenance of the Shares in the Quotation List Level 1

As of December 31, 2015

Seq.	List of corporate governance standards	Compliance	Comments	Planned corrective measures in
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No.				case of non-compliance
1.	The issuer should have a Board of Directors.	Fully complies	Subject to the decision of the General Shareholders Meeting, 11 members of the Board of Directors were elected: N.N.Varlamov, E.B.Grinkevich, D.L.Guryanov, A.M.Kobelyan, S.A.Petrov, E.V.Ushakov, A.N.Fadeev, V.S.Chistyakov, A.M.Branis, R.A.Filkin, A.V.Shevchuk (Minutes dated June 16, 2015, No. 9). The Company Board of Directors is stipulated by the Articles of Association of the Company (approved by the General Shareholders Meeting, Minutes dated June 16, 2015, No. 9)	
2.	The Board of Directors should include persons, each of whom should have sufficient independence to adopt their own position and should be able to make unbiased decisions, independent of any influence of the issuer's executive bodies, certain groups of shareholders or other stakeholders, as well as have sufficient expertise (hereinafter – independent directors). The number of independent directors should comprise no less than one fifth of the Board of Directors, no less than three persons. A member of the Board of Directors cannot be deemed an independent director if he/she is: a) associated with the issuer; b) associated with a substantial shareholder of the issuer; c) associated with a substantial counterpart of the issuer; d) associated with a competitor of the issuer; e) associated with the government (the Russian Federation, a constituent of the Russian Federation) or municipal authorities	Partially complies	Only one member of the Company's Board of Directors is independent instead of the required minimum of three: A.V.Shevchuk	Engaging the persons who meet the independence requirements to participate in the Board of Directors
3.	1) The Board of Directors of the issuer should form an Audit Committee presided over by an independent director. Its main functions, among others, should include: a) control of the completeness, precision and reliability of the issuer's financial reporting; b) control of the reliability and efficiency of the risk management and internal control system; c) ensuring independent and unbiased internal and external audit; d) control of the efficiency of the notification system regarding potential cases of unscrupulous practice by the issuer's employees (including malevolent use of insider or confidential information) and third persons, as well as other violations in the issuer's operations, as well as control of the implementation of measures taken by the issuer's executive management within the framework of such a system. 2) The Audit Committee should comprise	Partially complies	The Board of Directors elected the following persons to the Audit Committee: N.N.Varlamov (Chairman), D.L.Guryanov, A.M.Kobelyan, S.A.Petrov, A.V.Shevchuk, R.A.Filkin, V.A.Chistyakov (Minutes dated July 27, 2015, No. 193). Only one member of the Audit Committee is an independent director (and this is not the Chairman of the Committee), The functions of the Committee are detailed in the Provision on Audit Committee of the Board of Directors of the Company (approved by the decision of the Board of Directors, Minutes dated March 16, 2015, No. 180)	Inclusion of the directors who meet the independence requirements in the Board of Directors, election of most Audit Committee members and its Chairman from the independent directors

	only independent directors, and in case it is impossible for objective reasons – the majority of the Committee members should be independent directors, and the rest should be members of the Board of Directors who are not the sole executive body and (or) members of the issuer's collective executive body			
4.	<p>1) The issuer's Board of Directors should form a Remunerations Committee, the key functions of which should include:</p> <p>a) development and regular revision of the issuer's remunerations policy towards members of the Board of Directors, members of the issuer's executive body and the sole executive body, control of its introduction and implementation;</p> <p>b) preliminary assessment of the performance of the issuer's executive body and the sole executive body of the issuer at the end of the year in accordance with the issuer's remunerations policy;</p> <p>c) development of the conditions of the early termination of labor agreements with members of the issuer's executive body and the sole executive body;</p> <p>d) development of guidelines for the Board of Directors on defining the amount of the remuneration and the principles of awarding bonuses to the Corporate Secretary (employees of the structural unit functioning as the Corporate Secretary) of the issuer.</p> <p>2) The Remunerations Committee should comprise only independent directors, and in case it is impossible for objective reasons – the majority of the Committee members should be independent directors, and the rest should be members of the Board of Directors who are not the sole executive body and (or) members of the issuer's collective executive body.</p> <p>3) The issuer's Board of Directors should form a Nominations (HR, Appointments) Committee, the key functions of which should include:</p> <p>a) annual assessment of the performance of the Board of Directors and its members, definition of priority areas for enhancing the composition of the Board of Directors;</p> <p>b) development of recommendations for shareholders on election of the issuer's Board of Directors members;</p> <p>c) planning HR appointments, including those to ensure continuity of operations, members of the issuer's executive body and the sole executive body, drafting guidelines for the Board of Directors regarding candidates to the position of the Corporate Secretary (head of the structural unit functioning as the Corporate Secretary), members of the issuer's executive body and the sole executive body.</p> <p>4) The Nominations (HR, Appointments) Committee should comprise only independent directors, and in case it is impossible for objective reasons – the majority of the Committee members should be independent directors, and the rest should be members of the Board of Directors who are not the sole executive body and (or) mem-</p>	Partially complies	<p>The functions of the Remunerations Committee and the Nominations Committee (HR, appointments) are performed by one Committee in the Company – Personnel and Remuneration Committee, which does not contradict the MICEX Listing Rules.</p> <p>The Board of Directors elected the following persons to the Personnel and Remuneration Committee: N.N.Varlamov (Chairman), A.N.Fadeev, D.L.Guryanov, A.M.Kobelyan, A.V.Shevchuk, R.A.Filkin, V.A.Chistyakov (Minutes dated July 27, 2015, No. 193).</p> <p>Only one member of the Personnel and Remuneration Committee is an independent director.</p> <p>The functions of the Committee are recorded in the Provision on the Committee for Personnel and Remuneration of the Board of Directors of the Company (approved by the decision of the Board of Directors, Minutes dated July 25, 2014, No. 163).</p> <p>Not all the functions of the Committee required by the stock exchange are included in the Provision on the Committee</p>	<p>Inclusion of the directors who meet the independence requirements in the Board of Directors, election of most Personnel and Remuneration Committee members from the independent directors.</p> <p>Addition of the missing functions to the Provision on the Personnel and Remuneration Committee</p>

	bers of the issuer's collective executive body			
5.	<p>1) The issuer should have an executive or a structural unit functioning as the Corporate Secretary, including the following:</p> <p>a) participation in the improvement of the system and practice of the issuer's corporate governance;</p> <p>b) participation in arrangements preceding and accompanying the General Shareholders Meetings of the issuer;</p> <p>c) ensuring the operation of the Board of Directors and Committees of the Board of Directors;</p> <p>d) participation in implementation of the issuer's policy on information disclosure, as well as ensuring storage of the issuer's corporate documents;</p> <p>e) ensuring the interaction of the issuer with its shareholders and participation in prevention of corporate conflicts;</p> <p>f) ensuring the procedures stipulated by the law and the issuer's internal documents to secure shareholders' rights and legitimate interests, as well as control of their fulfillment.</p> <p>2) The Corporate Secretary (head of the structural unit functioning as the Corporate Secretary) reports to the issuer's Board of Directors, is appointed and dismissed by the sole executive body of the issuer subject to the decision of the Board of Directors.</p> <p>3) Availability of the issuer's provision on the Corporate Secretary, approved by the issuer's Board of Directors, stipulating:</p> <p>a) requirements to candidates for the Corporate Secretary (head of the structural unit functioning as the Corporate Secretary);</p> <p>b) procedure for the Corporate Secretary appointment and dismissal;</p> <p>c) reporting of the Corporate Secretary and procedures for interaction with the management bodies and structural units of the issuer ensuring its independence from the issuer's executive bodies;</p> <p>d) functions and authorities of the Corporate Secretary;</p> <p>e) conditions of and procedures for remuneration payment to the Corporate Secretary;</p> <p>f) responsibility of the Corporate Secretary.</p>	Partially complies	<p>By the decision of the Board of Directors as of July 09, 2014, Yu.S.Guseva was elected the Company's Corporate Secretary (Minutes dated June 25, 2015, No. 191).</p> <p>The functions of the Corporate Secretary are recorded in the Provision on the Corporate Secretary of the Company (approved by the decision of the Board of Directors, Minutes dated February 18, 2008, No. 8).</p> <p>Not all the functions of the Corporate Secretary required by the stock exchange are included in the Provision on the Corporate Secretary. The Provision on the Corporate Secretary of the Company does not stipulate that the Corporate Secretary is appointed and dismissed by the sole executive body of the issuer</p>	Introduction of the respective modifications in the Provision on the Corporate Secretary
6.	The issuer should have a document regulating its dividend policy approved by the Board of Directors	Fully complies	The Board of Directors approved the Regulation on the Dividend Policy of the Company (Minutes dated September 01, 2010, No. 61)	
7.	<p>1) The issuer should have a structural unit responsible for the internal audit, the functions of which include:</p> <p>a) efficiency assessment of the internal control system;</p> <p>b) efficiency assessment of the risk management system;</p> <p>c) assessment of the corporate governance (in case there is no Corporate Governance Committee).</p> <p>2) The head of the unit performing internal audit reports to the issuer's Board of Direc-</p>	Partially complies	<p>The structural unit responsible for the internal audit is the Department of Internal Control and Audit. The organizational structure of the Company's executive bodies is approved by the decision of the Board of Directors (Minutes dated August 27, 2014).</p> <p>The functions of the above mentioned unit are recorded in the Provision on the Depart-</p>	Introduction of the respective modifications in the Provision on the Department of Internal Control and Audit

	tors, is appointed and dismissed by the sole executive body of the issuer subject to decision of the Board of Directors. 3) The issuer should have an internal audit policy (provision on internal audit), approved by its Board of Directors, which defines the aims, tasks and authorities of the structural unit responsible for the internal audit		ment of Internal Control and Audit (approved by the General Director on October 22, 2014). The Articles of Association of the Company stipulate that the head of the structural unit responsible for the internal audit reports to the Board of Directors of the Company. On August 25, 2014, the Board of Directors approved Internal Audit Policy of the Company (Minutes dated August 27, 2014 No. 164), which determines the internal audit goals and functions and the powers of the internal audit (the unit carrying out internal audit). The said document does not include the tasks of the structural unit	
8.	The Articles of Association of the issuer should contain provisions that the notification of the annual General Shareholders Meeting is to be made at least 30 days prior to the meeting	Fully complies	According to the Company's Articles of Association (approved by the General Shareholders Meeting, Minutes dated June 16, 2015, No. 9), the notification of the annual General Shareholders Meeting is to be made via publishing the notification on the website of the Company in the Internet under the following link www.mrsk-cp.ru at least 30 days prior to the meeting	
9.	The Articles of Association of the issuer or the internal documents adopted by the General Shareholders Meeting of the issuer should contain the provision that the information on the date of compiling the list of persons entitled to participate in the Shareholders Meeting is disclosed at least 5 days before such a date	Fully complies	According to the Articles of Association of the Company (approved by the General Shareholders Meeting, Minutes dated June 16, 2015, No. 9) the information on the date of compiling the list of persons entitled to participate in the Shareholders Meeting is disclosed at least 7 days before such a date	
10.	The Board of Directors of the issuer should form a Corporate Governance Committee with the main function of corporate governance assessment	Fully complies	The functions of corporate governance assessment are performed by an internal department of the Company – the Department of Internal Control and Audit, which does not contradict the MICEX Listing Rules	

Compliance of the Shares of JSC IDGC of Center and Volga Region with the Requirements of the Stock Exchange Listing Rules Regarding the Number of Shares in Free Circulation (Free-Float Coefficient)

Exchange requirements	Actual indicators			
	Date	FFs, %	FF, %	FF-FFs, percentage points

The total number of the issuer's shares in free float (FFs) should not be lower than the value of FF* by more than 2.5 percentage points within 6 consecutive months (i.e. $(FF-FFs) \leq 2.5$ percentage points).	January 31, 2015	21.95	23.48	1.53
	February 28, 2015	21.95	23.35	1.40
	March 31, 2015	21.95	23.69	1.74
	April 30, 2015	21.95	23.68	1.73
	May 31, 2015	21.96	23.71	1.75
	June 30, 2015	21.96	23.63	1.67
	July 31, 2015	21.96	23.74	1.78
	August 31, 2015	21.96	23.72	1.76
	September 30, 2015	21.96	23.84	1.88
	October 31, 2015	21.96	23.83	1.87
	November 30, 2015	21.96	23.85	1.89
	December 31, 2015	21.96	23.93	1.97

* $FF=(0.25789-0.00263*Cap)*100\%$, where *Cap* is the market capitalization of the issuer.