

ANNUAL REPORT  
**2014**



RELIABLE NETWORKS –  
**SECURE FUTURE**



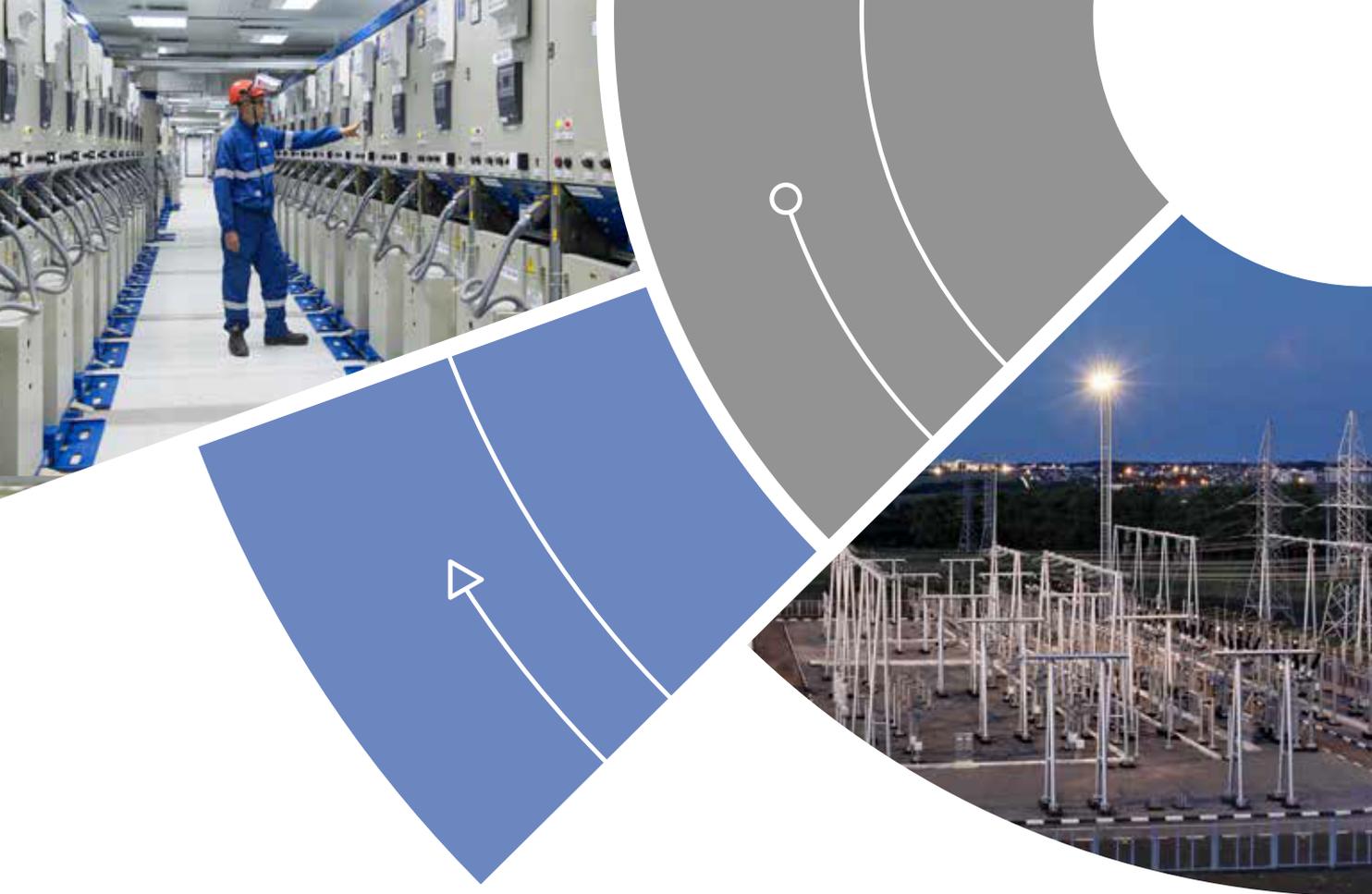


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# 1

## Company Overview

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## COMPANY PROFILE

### Operating Performance of the ROSSETI Group

Indicator	2013	2014	2014/2013
Electricity delivery, bn kWh	714	715	0.1%
Length of power lines, thous. km	2.26	2.29	1.3%
Number of substations, thous. units	473	480	1.5%
Transformer capacity, GVA	743	751	1.1%
Number of employees *, thous. people	222	218	(2.3%)
Including office and management staff of ROSSETI SDCs	36.9	33.6	(9%)

\* The staff on the payroll of ROSSETI SDCs engaged in the grid business

### Financial Performance

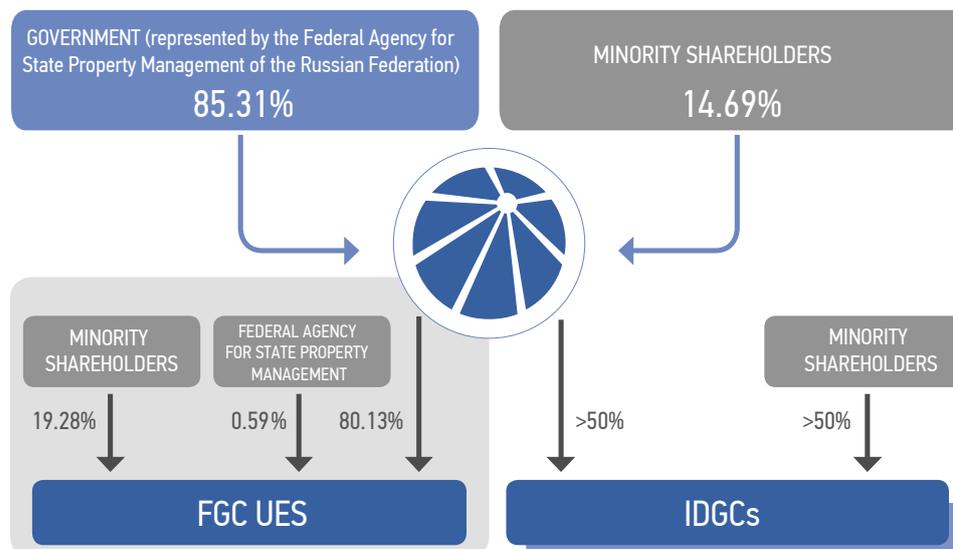
Indicator	2013	2014	2014/2013
Revenue, bn RUB	755.8	759.6	0.5%
Adjusted net profit <sup>1</sup> , bn RUB	74.0	69.5	(6.1%)

The ROSSETI Group is one of the world's largest electric utilities in terms of the number of customers and the length of lines with voltages of up to 110 kV: the company maintains 2.3 million km of power transmission lines, transformer capacity of 480,000 substations is more than 751 GW.

The Group is one of Russia's most important infrastructure companies, governmentally controlled, and the government's agent for the management of the Russian electricity distribution grid sector.

The asset portfolio of ROSSETI Group includes 43 subsidiaries and affiliates, including 16 distribution and 1 transmission grid company. The controlling shareholder of the company is the state represented by the Federal Agency for State Property Management of the Russian Federation, which owns 85.3% of the share capital.

### Capital Structure



<sup>1</sup> Adjusted net profit is calculated as net profit for the period excluding losses on impairment of fixed assets, impairment of financial investments and impairment of receivables and related deferred profit tax liabilities

The ROSSETI Group includes three main kinds of subsidiaries and dependent companies (SDCs) by activity type:

### 1. Grid Companies with Operations in the Retail Electricity (Capacity) Markets

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>• IDGC of Centre</li> <li>• IDGC of Center and Volga Region</li> <li>• MOESK</li> <li>• IDGC of Northern Caucasus</li> <li>• IDGC of North-West</li> <li>• IDGC of Siberia</li> <li>• IDGC of Urals</li> <li>• IDGC of South</li> </ul> | <ul style="list-style-type: none"> <li>• IDGC of Volga</li> <li>• LENENERGO</li> <li>• Kubanenergo</li> <li>• Tyumenenergo</li> <li>• TDC</li> <li>• Yantarenergo</li> <li>• NURENERGO</li> <li>• Chechenenergo</li> </ul> |
|--|--|

### 2. Grid Company with Operations in the Wholesale Electricity (Capacity) Market

- FGC UES

### 3. Electricity retail companies and noncore assets companies

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>• Tyvaenergobyт</li> <li>• Kabbalkenergo</li> <li>• Ingushenergo</li> <li>• Kalmenergobyт</li> <li>• Sevkavkazenergo</li> <li>• Dagestan Energy Supply Company</li> <li>• Karachaevo-Cherkesskenergo</li> <li>• Grozenergo</li> <li>• REC IDGC</li> <li>• VNIPIENERGOPROM</li> <li>• SKB VTI</li> <li>• ENIN</li> <li>• Urals Power Engineering Company</li> <li>• SevZap NTC</li> </ul> | <ul style="list-style-type: none"> <li>• VPEC</li> <li>• Power Grid Optical Networks Engineering</li> <li>• VNIPIENERGOPROM Real Estate</li> <li>• Engineering Center UES Real Estate</li> <li>• НИЦ Северо-Запада</li> <li>• НИЦ Поволжья</li> <li>• Urals Power Engineering Company Real Estate</li> <li>• Siberian Energy Scientific and Technical Center Real Estate</li> <li>• NWEMC</li> <li>• IT Energy Service</li> <li>• ZES</li> </ul> |
|---|--|

The Strategy for Development of the Electric Grid Sector of the Russian Federation approved by Ordinance of the Government of the Russian Federation, provides for the formation of a single electric grid management company based on JSC ROSSETI to coordinate the activities of Russian grid organizations in the areas of tariffs, technical policy, investment planning, transparent financial and economic operations, and anti-corruption policy.

### Principal functions, planned to be performed by JSC ROSSETI<sup>2</sup>:

- Strategic functions (planning, methodology, etc.);
- Coordinating functions (coordination of investment, technical, financial, and procurement policies; coordination of capital investment programs; etc.);
- Controlling functions (financial reporting, benchmarking, audit, setting of key performance indicators, monitoring of KPI attainment, etc.);
- Accomplishment of institutional goals faced by the entire industry;
- Participation in the consolidation of territorial grid organizations with the aim of ensuring the necessary reliability and quality of the power supply for customers.

<sup>2</sup> In accordance with the Strategy for Development of the Electric Grid Sector of the Russian Federation No.511-r

In accordance with the Strategy, the mission of electric grid sector is to secure a long-range reliable, efficient and affordable power supply for customers providing the most effective and required under international standards grid infrastructure, introducing electricity tariffs with affordable electricity prices for Russian economy and developing the attractiveness of the industry for investors given an adequate return on equity.

Goals and mission of JSC ROSSETI is determined by the market participants' expectations:

<b>For customers</b>	JSC ROSSETI is striving to provide services of high quality: a reliable electricity supply and timely and transparent electricity network connection at affordable prices.
<b>For the regions and local government authorities</b>	JSC ROSSETI satisfies the economy's demand for distribution capacity, acting as a reliable partner of Russian regional executive authorities in planning and carrying out regional development programs, and being a bona fide taxpayer and employer.
<b>For staff</b>	JSC ROSSETI is an efficiently organized company that has a transparent and comprehensible corporate governance system and offers opportunities for personnel to realize their full potential.

Acting as a strategic company, JSC ROSSETI should succeed electric grid sector goals within its SDCs and set future standards for all the companies of the industry.



## Message from the Chairman of the Board of Directors

### Dear Shareholders!

I am pleased to present to you the annual report of ROSSETI, outline our achievements in 2014, and share my vision of how the Company will develop.

The Russian electric grid sector has always been and should remain the flagship of the domestic electricity industry. Since grid companies secure a reliable power supply and ensure that the network infrastructure will meet the future needs of the economy, they are required to fulfill the fundamental objectives of improving people's living standards and creating the basic conditions for economic growth in Russia.

From this perspective, it can be seen how hard the Board of Directors and management of ROSSETI worked in 2014 to form a united national electric grid company, which, in my opinion, is the only option for accomplishing the objectives described above.

2014 was the first full year of ROSSETI's operation as the united electric grid company. During this period, the Board of Directors and management of the Company gave much attention to the decisions aimed at improving the quality of governance within the ROSSETI Group and implementing unified and synchronized approaches in all activities of the Company's subsidiaries. The Board of Directors of ROSSETI made a number of decisions fundamental to pursuing the development strategy of the Company: Investment Policy; Policy on Society, Customer, and Government Relations; Innovative Development, Energy Conservation, and Energy Efficiency Policy; Economic Policy, etc.

In addition, as instructed by the Board of Directors, ROSSETI cooperates with federal executive authorities in improving the regulatory framework that governs the ROSSETI Group's investment and network connection activities, which I consider to be one of the most important issues on the current agenda.

I would particularly like to draw attention to ROSSETI's Long-Term Development Program approved by the Board of Directors. The Program was formulated on the instructions of the Russian President and received approval from the Government. The Program contains the action plan to ensure the achievement of the strategic goals set by the Government for ROSSETI for 2015–2019 with due consideration to the current socioeconomic conditions affecting the industry and its long-term development trends.

The year 2014 was full of events and challenges faced by ROSSETI. In these circumstances, the Company was able to achieve positive results in the key areas of activities:

- securing a safe, reliable, and uninterrupted power supply,
- improving customer service quality,
- increasing the accessibility of infrastructure,
- enhancing the operating efficiency of electric grids.

I would like to note that the ROSSETI Group's staff did an excellent job, enabling electricity networks in the Sochi power district to function properly during the Sochi Olympics and Paralympics. The Company's efforts in preparations for the Games were praised by Russia's leadership and IOC experts.

All employees of ROSSETI subsidiaries worked responsibly and effectively, which allowed the 2013/14 heat deficit period to end in success despite difficult weather conditions and natural disasters and also decreased the number of process failures in electric grids by 13% last year.

Comprehensive measures to increase the accessibility of power supply infrastructure enabled ROSSETI SDCs to provide customers with more than 346,000 electricity connections, or 24% more than in 2013 (261,000).

In order to improve its economic performance, ROSSETI made several decisions in 2014 to cut general and administrative expenses and make the Company's activities more efficient and transparent. In 2014, the Company strengthened the interaction with customers and the expert community with respect to preparing the ROSSETI Group's capex programs and conducting the public technological and price audit of its major investment projects.

These decisions resulted in a fivefold decrease in ROSSETI's net loss in accordance with Russian Accounting Standards in 2014 compared with 2013 year, from 250.6 billion to 52.3 billion rubles. It is noteworthy that the net loss generated in 2014 is entirely due to the negative revaluation of financial investments of the Company (the value of shares in ROSSETI subsidiaries), which totaled 61 billion rubles.

In addition, there is a heavy agenda for ROSSETI in today's difficult economic conditions. The Company should ensure the stable and uninterrupted operation of the Russian electric grid sector and prevent its financial and economic performance from deteriorating. For this purpose, the Board of Directors of ROSSETI will continue to constantly monitor the situation in the ROSSETI Group, raising the responsibility of subsidiaries' executives and the Company's management.

The Board of Directors of ROSSETI will also focus its efforts on active participation in improving the regulatory framework for the electric grid sector, which is necessary for its stable functioning and development as needed by the Russian economy. To resolve this issue, along with enhancing the operating efficiency, is essential for the achievement of the Company's fundamental goal of renewing its capital assets. This will open the way for the Russian electric grid sector to function properly and reliably in the future.

The Board of Directors of ROSSETI will additionally continue to pay attention to the implementation of decisions on import substitution, cost reduction, efficiency enhancement, energy conservation, innovation, and human resource management. Particular emphasis will be placed on measures to organize a comprehensive dialog with Russian higher education institutions about personnel training for the areas where the electric grid sector is suffering from a shortage of professionals and qualitatively improve advanced training establishments for the ROSSETI Group's employees.

With the aim of improving corporate governance, the provisions of the Corporate Governance Code approved by the Bank of Russia will be systematically introduced into ROSSETI's activities in 2015. In March 2015, the Board of Directors of ROSSETI approved the action plan to this end.

I am confident that, when ROSSETI accomplishes the goal of creating the long-term conditions for renewing capital assets, along with ensuring that the network infrastructure will meet the future needs of the economy and providing the electric grid sector with highly qualified personnel, the Company will be able to secure an uninterrupted power supply and the accessibility of electricity networks.

**Sincerely,**  
**Sergey Shmatko**  
**Chairman of the Board of Directors**



## Message from Oleg Budargin, Director General of ROSSETI, on Performance in 2014

2014 will be remembered by ROSSETI as a year when the Company completed a whole range of strategic projects. In the difficult macroeconomic situation, despite limited funding and the frozen electricity distribution tariff, we were able to achieve positive results in securing a reliable and high-quality electricity supply and creating the favorable conditions for economic development in the regions of our operations.

The Group's revenue in accordance with IFRS rose by 0.5% to 759,608 million rubles in 2014, while electricity delivery from networks reached 715 billion kWh, or 0.1% more than in the previous year.

In spite of adverse external environment, the electric grid sector continued to develop. Last year, the financing of capital investment totaled 240 billion rubles. The value of commissioned capital assets was 305.9 billion rubles, which is equal to 19,430 MVA of transformer capacity and 32,819 kilometers of power lines. The year 2014 witnessed the opening of 188 main distribution grid substations, whereas the number of network connection requests was up by 2% on 2013, despite the general slowdown in the economy. A total of 488,324 requests were submitted for total capacity of 52,022 MW. This clearly demonstrates the stable level of customer confidence.

The major facilities that obtained electricity connections in the reporting period include an excavator plant in the Tver Region (6.3 MW), which the first Russian industrial company of Japan's largest corporation Hitachi, Ltd., and a new facility for the production of oil and gas pipes in the Kostroma Region (9.5 MW). Additionally, 110/10-kV Titan Substation was put into operation in the Middle Urals. The new substation will secure a reliable electricity supply for industrial facilities in the Titanium Valley special economic zone.

The Company completed infrastructure projects in 2014 to improve electricity supply reliability and raise the investment potential of the regions. These include: power supply for the Vankor Field (213.5 kilometers of power lines); delivery of Nyagan TPP capacity (149 kilometers of power lines) and Beloyarsk NPP capacity (285.5 kilometers of power lines); improvement of electricity supply reliability for customers in Moscow and the Moscow Region (223 MVA of transformer capacity) and in Krasnoyarsk (801 MVA of transformer capacity and 23.7 kilometers of power lines).

ROSSETI continued in 2014 to increase the accessibility of distribution grid services to customers. The electricity connection cost of 1 kW of maximum capacity fell by 11% in the reporting period. In the case of network connection requests for facilities rated 150 kW or below, the time of preparing contracts and obtaining an electricity connection was reduced by 9 and 104 days respectively.

In 2014, ROSSETI stepped up its efforts in relation to participating in the formation of five-year long-term development schemes and programs for the electric power industry in Russian regions. They are developed in accordance with the Resolution of the Russian Government "On Long-Term Development Schemes and Programs for the Electric Power Industry." In the reporting year, such schemes were developed in 57 of the 68 Russian regions where the ROSSETI Group's distribution companies have a presence.

Due to the timely and high-quality implementation of capital investment and repair programs, comprehensive modernization, and the introduction of advanced process solutions, the Company achieved substantial success in increasing the reliability of the electric grid sector. For instance, the number of process failures was reduced by almost 13% in 2014, while electricity losses went down to 9.52%. The Group's specific accident rate was down by 22% compared with 2013.

One of the most important areas of the Company's activities is to enhance the efficiency of using its own resources. ROSSETI developed and implemented new standards and techniques intended to unify and synchronize subsidiaries' approaches in all areas of work. In 2014, the Company completed the project to build the common corporate data processing center designed to improve the performance and reliability of corporate systems.

Work is underway on setting up the Group's common treasury for the entire group, which will streamline operating activities, considerably reduce costs, and make payments more transparent. The Company approved the innovative development policy, the uniform technical, economic, and personnel policies, and standards of society, customer, and government relations. The ultimate goal of all documents is to secure a long-term reliable, high-quality, and affordable power supply.

In order to improve the effectiveness of its operations, ROSSETI approved the Strategy for Developing and Improving the Internal Control System of the Company and its subsidiaries. The Strategy is aimed at ensuring the transparency of financial and economic activities and specifies the integration of the basic elements and principles of the internal control system into a single management system.

ROSSETI also formulated and approved the procurement policy, providing for the implementation of unified approaches to electric grid companies' procurement procedures and for the introduction of a common information space supporting this process. The implementation of uniform procurement standards helps raise the level of procurement management, ensure the transparency of procurement procedures, and bring down costs. At the end of 2014, the ROSSETI Group's economic effect was 30.6 billion rubles (exclusive of VAT), or 8.8%.

ROSSETI pays great attention to preventing and combating corruption. The Company adheres unconditionally to the electric grid sector's anti-corruption standards, successfully fulfilling the tasks assigned by the Russian Government. In 2014, as part of complying with the Government's policy on the development of public-private partnership, ROSSETI acceded to the Anti-Corruption Charter of the Russian Business. The Company actively participates in the interdepartmental working group under the General Prosecutor's Office, dealing with legal issues related to ensuring the transparency of financial and economic activities and removing administrative barriers to the development of the electric grid sector. ROSSETI also represented in the expert group under the Federal Service for Financial Monitoring on combating illegal financial transactions. In addition, the Company cooperates with the Chamber of Commerce and Industry of the Russian Federation, the All-Russia People's Front, and many other nongovernmental associations.

The Group's unified approach to this work and compliance with Article 13.3 of Federal Law No. 273 "On Combating Corruption" is specified in the Anti-Corruption Policy of the Company. ROSSETI also approved the List of Anti-Corruption Measures, providing for comprehensive measures and procedures and setting out the procedure for their implementation

ROSSETI takes a responsible approach to cooperation with representatives of the key economic sectors. Specifically, the Company in 2014 signed several agreements with the administrations of the regions where it has operations to support agricultural companies. The measures include optimizing the network connection procedure for agricultural producers and allowing them to pay connection fees in installments. In addition, the Company stepped up its efforts to align grid infrastructure development with territorial development plans of the regions, especially with respect to meeting food producers' demand for electricity.

The Company systematically works to provide small and medium-sized businesses with expanded access to the Group's procurement. Currently, 15 SDCs conduct public procurement audits. These measures have already produced the first positive results, substantially increasing the proportion of small and medium-sized businesses involved in the total volume of purchases. In the reporting year, contracts awarded to small and medium-sized businesses after procurement procedures amounted to 24.1% (the previous figure was 19%).

The Company formulated the uniform competitive rules for doing business in the area of electricity distribution services. Under the Strategy for Development of the Electric Grid Sector, we addressed the issues related to reducing the fragmentation of territorial grid organizations and increasing control over them by establishing the criteria that a grid organization should meet to qualify as a territorial grid organization.

ROSSETI supports the Government's policy toward energy efficiency enhancement and the introduction of innovative technologies into the electric power industry. I am proud to say that ROSSETI is the country's leader in introducing innovative technologies into transmission and distribution grids. In 2014, we launched a project in the pilot regions to install an intelligent metering system that will help resolve the important issues of reducing electricity network losses and increasing transmission capacity.

We also began setting up the Federal Testing Center, which will conduct a full range of tests on new equipment and prototypes in accordance with international standards. This is a major step forward in the development of the Russian electric grid sector, which will considerably reduce the design-to-operation time for advanced domestic technology.

An important project in 2014 was ROSSETI's involvement in the national program to develop the charging station infrastructure for electric vehicles. The project is implemented in Moscow, Saint Petersburg, and Yaroslavl and has the great economic potential for the energy industry, having a positive impact on the environment.

In order to encourage young researchers and professionals to take part in creating a new generation of the electric power industry in Russian, the Company organizes the annual "Energy Breakthrough" Contest of Innovative Projects. The Contest Commission received 138 projects from all over Russia in 2014, and the best of them have already been put into test operation at the Company's power facilities.

We also continue to study experience of foreign colleagues in the areas that are of primary importance to the Russian electric grid sector. The Company is active in cooperating with Chinese partners in the modernization of energy infrastructure and the development of smart grids cooperating with South Korean experts and manufacturers in the supply of equipment. We continue to collaborate in the development of distribution grids with ERDF. This France-based electric utility manages ROSSETI-owned electric grid assets in the Tomsk Region.

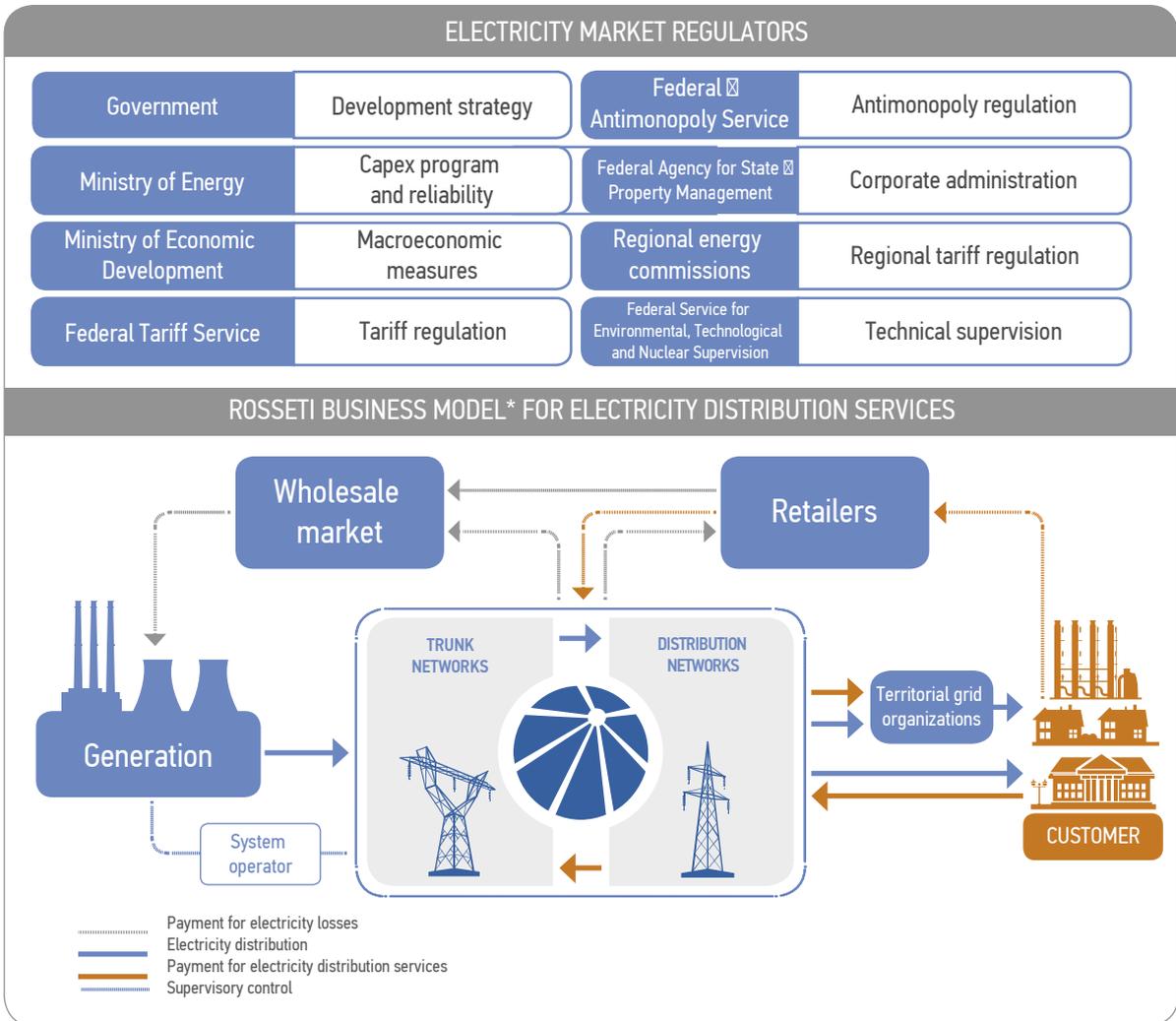
In 2014, ROSSETI approved the Long-Term Development Program. The successful implementation of the Program will enable us to ensure the sustained growth of production and financial performance and increase shareholder value.

Many thousands of ROSSETI employees have made it possible in a short time to set up a significant reserve for the future, which allows us to be ready for any challenges of the market and feel confident about tomorrow. The Company will continue in 2015 to pursue its policy toward modernization, the reliable operation of power supply infrastructure, and the fulfillment of network connection requests on preferential terms. I am sure that, with extensive professional experience and actively introduced innovations, the Company's staff will be able to cope with all tasks, whether current or future.



## Our Business Model

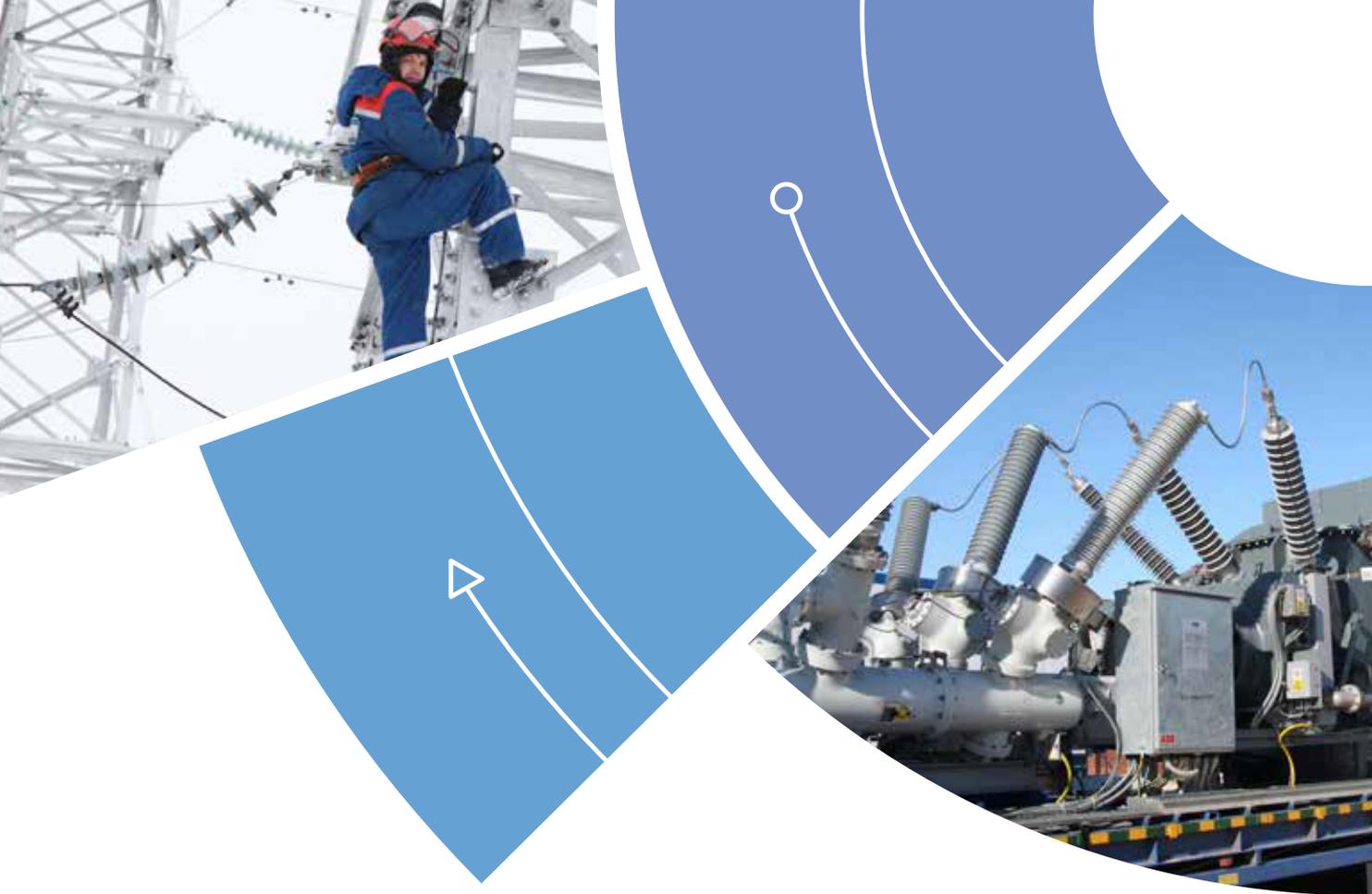
The business model enables the Company to work toward sustained development and pursue the goals set out in the Long-Term Development Program and the Strategy for Development of ROSSETI.



\* Where ROSSETI is responsible for distributing pool-based revenues among pool members

To perform the strategic tasks assigned by the Government to ROSSETI, aware of current trends and challenges in the electric grid sector, ROSSETI has set aims and objectives for itself in the following main areas:

Key Strategic Priorities	Disclosure in the Annual Report
<ol style="list-style-type: none"> <li>1. Secure a reliable and uninterrupted power supply and ensure energy security</li> <li>2. Improve service quality and increase customer satisfaction</li> <li>3. Maintain the accessibility of infrastructure and create the conditions for economic growth</li> <li>4. Enhance the operating efficiency of electric grids</li> <li>5. Keep a balance between the interests of different key stakeholders</li> </ol>	<p> Detailed information about the implementation of the Strategy is contained in the Annual Report in <b>Our Strategic Priorities</b> and <b>Prospects for Development</b></p>



# 2

## Strategy Report

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- 9 > Investment and Innovation

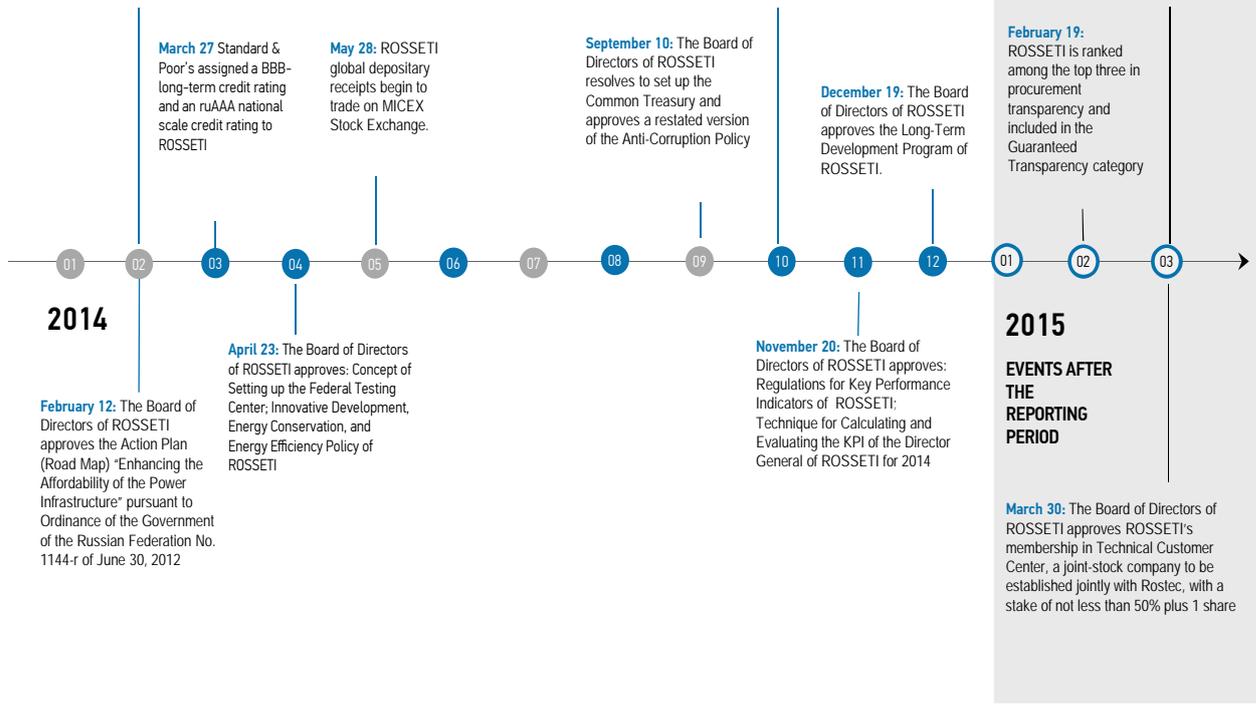


# Key Events of the Year

**February 10:** The Board of Directors of ROSSETI approves Strategy for Developing and Improving the Internal Control System of ROSSETI and Subsidiaries and Dependent Companies of ROSSETI; Regulations for Disclosing Material Information of ROSSETI Under Shareholder Laws and Securities Market Laws (Information Policy)

**October 13:** A cooperation agreement is signed with State Grid Corporation of China

**March 10:** The Board of Directors of ROSSETI approves the Action Plan (Road Map) to Introduce the Corporate Governance Code into the Activities of ROSSETI





# Geographic Presence

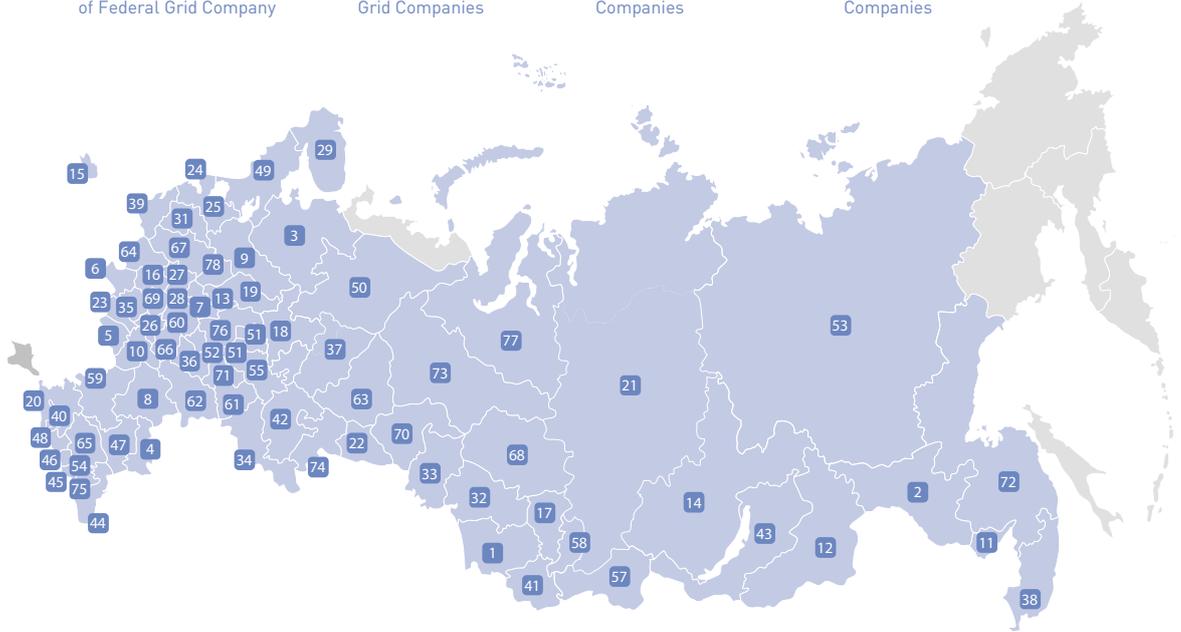
## Regional Distribution of ROSSETI's Assets

 **51**  
Regional Branches  
of Federal Grid Company

 **11**  
Interregional Distribution  
Grid Companies

 **5**  
Distribution Grid  
Companies

 **7**  
Regional Retail  
Companies



 **8**  
Backbone Electric Grids  
(MES)

 **41**  
Backbone Electric  
Grid Enterprises (PMES)

 **1**  
Technical Supervision  
Center

 **1**  
Special Purpose Production  
Centre «BELY RAST»

		FGC UES	IDGCs	DGCs	Regional Retail Companies	Real Property Holders	Research Institutes	Service and Construction Companies
1	Altai Territory	+	+					
2	Amur Region	+	+					
3	Arkhangelsk Region	+	+					
4	Astrakhan Region	+	+					
5	Belgorod Region	+	+					
6	Bryansk Region	+	+					
7	Vladimir Region	+	+					
8	Volgograd Region	+	+					
9	Vologda Region	+	+					
10	Voronezh Region	+	+					
11	Jewish Autonomous Region	+						
12	Trans-Baikal Territory	+	+					
13	Ivanovo Region	+	+					
14	Irkutsk Region	+	+					
15	Kaliningrad Region	+		+				
16	Kaluga Region	+	+					
17	Kemerovo Region	+	+					
18	Kirov Region	+	+					
19	Kostroma Region	+	+					
20	Krasnodar Territory	+		+				
21	Krasnoyarsk Territory	+	+					
22	Kurgan Region	+						
23	Kursk Region	+	+					
24	Leningrad Region	+	+					
25	Saint Petersburg	+	+			+	+	+
26	Lipetsk Region	+	+					
27	Moscow Region	+	+					
28	Moscow	+	+			+	+	+
29	Murmansk Region	+	+					
30	Nizhni Novgorod Region	+	+					
31	Novgorod Region	+	+					
32	Novosibirsk Region	+				+		
33	Omsk Region	+	+					
34	Orenburg Region	+	+					
35	Oryol Region	+	+					
36	Penza Region	+	+					
37	Perm Territory	+	+					
38	Primorie Territory	+						
39	Pskov Region	+	+					
40	Republic of Adygeya	+		+				
41	Republic of Altai	+	+					
42	Republic of Bashkortostan	+						
43	Republic of Buryatia	+	+					
44	Republic of Dagestan	+	+			+		
45	Republic of Ingushetia	+	+			+		
46	Republic of Kabardino-Balkaria	+	+			+		
47	Republic of Kalmykia	+	+			+		
48	Karachay-Cherkess Republic	+	+			+		
49	Republic of Karelia	+	+					
50	Komi Republic	+	+					
51	Republic of Marij El	+	+					
52	Republic of Mordovia	+	+					
53	Republic of Sakha	+						
54	Republic of North Ossetia-Alania	+	+			+		
55	Republic of Tatarstan	+						
56	Republic of Tuva	+	+			+		
57	Udmurtian Republic	+	+					
58	Republic of Khakassia	+	+					
59	Rostov Region	+	+					+
60	Ryazan Region	+	+					
61	Samara Region	+	+					+
62	Saratov Region	+	+					
63	Sverdlovsk Region	+	+					+
64	Smolensk Region	+	+					
65	Stavropol Territory	+	+					
66	Tambov Region	+	+					
67	Tver Region	+	+					
68	Tomsk Region	+		+				
69	Tula Region	+	+					
70	Tyumen Region	+	+					
71	Ulyanovsk Region	+	+					
72	Khabarovsk Territory	+						
73	Khanty-Mansijsk Autonomous District	+						
74	Chelyabinsk Region	+	+					
75	Chechen Republic	+	+			+		
76	Chuvashi Republic	+	+					
77	Yamalo-Nenets Autonomous District	+						
78	Yaroslavl Region	+	+					



## Energy Industry Overview and the Company's Position in the Market

The electric power industry is Russia's basic economic sector. Reliable operations of the industry are a prerequisite for Russia's energy security and successful economic development.

JSC ROSSETI is one of the most significant infrastructure companies in Russia. The Company is one of the largest in the world by number of consumers and grid length (voltage less than 110 kV), and a leading company on the Russian market by adoption of innovative technology in the electricity transmission and distribution segment.

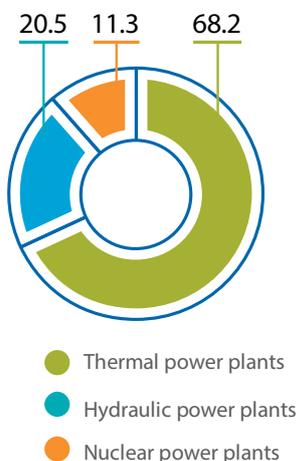
The following long-term strategic development priorities are set to Russian electric grid sector as a whole and JSC ROSSETI in particular:

- securing a reliable electricity supply for customers;
- ensuring service quality;
- developing the infrastructure to support Russia's economic growth;
- introducing competitive electricity tariffs that should be adequate to meet the need for developing the industry;
- developing scientific and innovative potential of electric grid sector, including to encourage the development of related industries.

ROSSETI operates in the electricity transmission and distribution segment. As the largest electric grid company in Russia, we are a combination of electricity transmission grid facilities and interregional and regional electricity distribution grid companies.

The Russian current electric power industry consists essentially of three segments: electricity generation, electricity transmission and distribution, and electricity retailing. Generation in Russia comprises more than 700 power plants, each with capacity of over 5 MW. The overall installed capacity of Russian power plants exceeds 223 GW and is structured as follows:

### Electricity Generation in Russia

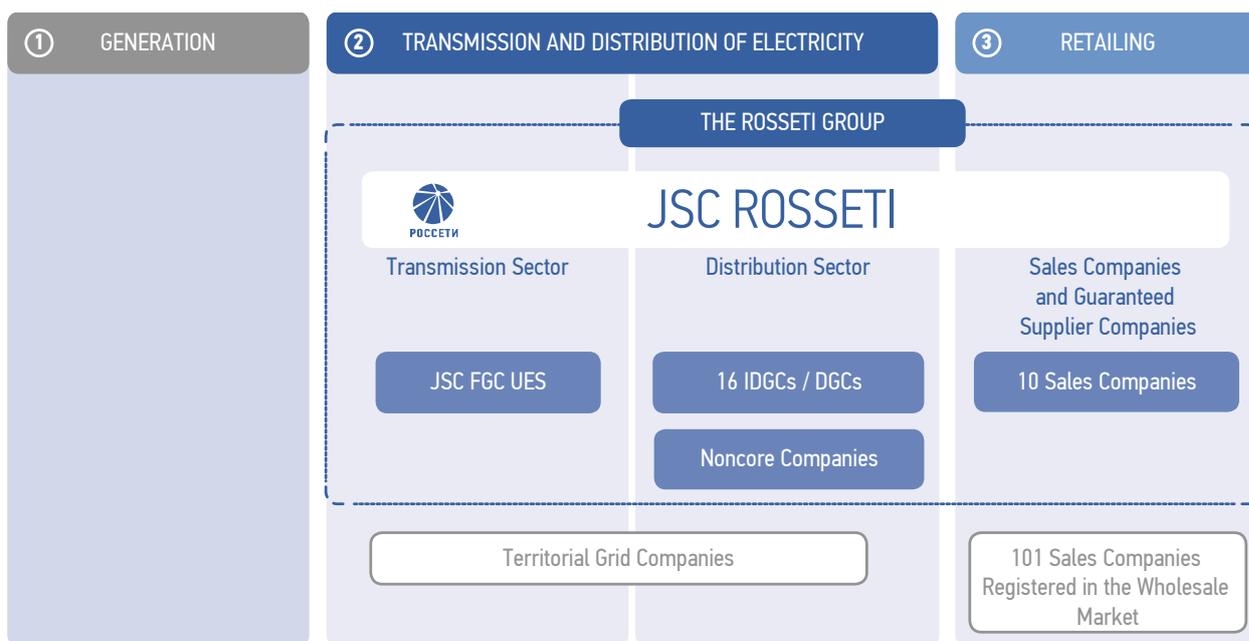


The electricity market in Russia is competitive: natural monopoly functions (electricity transportation and operational dispatching control) are, to a large extent, separated from potentially competitive functions (electricity generation and retailing, repair and service operations). Electricity market prices are driven by supply and demand, and competition among market participants reduces their costs. Natural monopolies are regulated by the government, which forms the infrastructural basis for the competitive electricity market.

The Russian electricity and capacity market is composed of two tiers: wholesale and retail

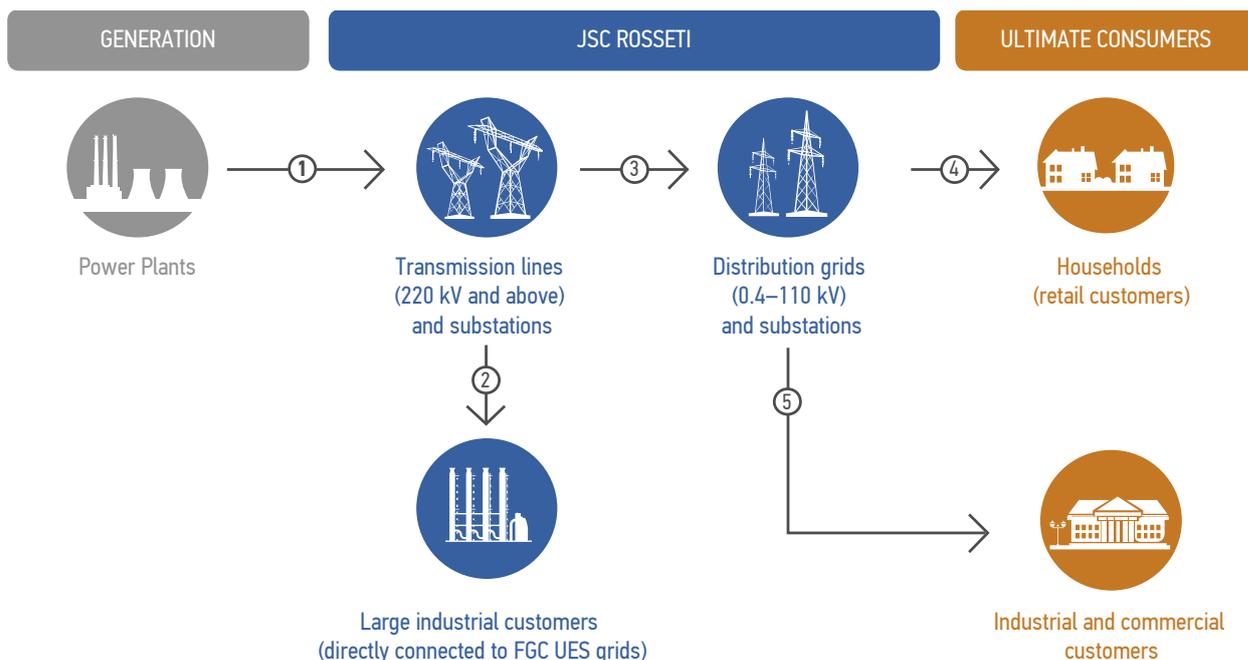
Grid companies are also among buyers in the wholesale market because they purchase electricity and capacity as compensation for network losses. The electricity and capacity market is operationally present in the regions united into price and nonprice zones. The first price zone comprises the European part of Russia and the Urals, and the second is Siberia. The nonprice zones (Arkhangelsk Region, Kaliningrad Region, Komi Republic, and Far Eastern regions), where it has not been technically possible to organize competitive market relations yet, are subject to government regulation with respect to trading in electricity and capacity.

### Role of the ROSSETI Group in the Russian Electric Power Sector



Retail market participants are electricity consumers, suppliers of last resort, electricity retailers, energy suppliers, public utility providers, grid organizations (IDGCs) and other owners of electric grid facilities, and generators that do not supply power to the wholesale market. Government-regulated tariffs apply to all electricity deliveries to households and a wide range of social infrastructure facilities. Starting from January 1, 2011, all the other customer categories receive electricity at unregulated prices.

## Electricity Delivery Channel



Retailers buy electricity in the wholesale market from generation companies and use the electricity transportation services of transmission and distribution grids to resell electricity in the retail market.

The government acts as the electricity market regulator.

In addition to the Ministry of Energy, through which the government exercises its authority to manage the industry, the Market Council applies market self-regulation mechanisms to organize trading in electricity and capacity in the wholesale market.

## Federal Executive Authorities Basically Involved in Market Regulation

Federal Executive Authority / Control Body	Scope of Responsibility / Programs
Government of the Russian Federation	Strategy for Development
Ministry of Energy of the Russian Federation	Formulation of government policy and legal regulations on energy, including electric power issues / Investment Program and reliability
Federal Tariff Service of the Russian Federation	Legal regulation in the government regulation of prices (tariffs) of goods and services, including setting electricity distribution tariffs
Federal Antimonopoly Service of the Russian Federation	Antimonopoly regulation in the electric power industry
Federal Service for Environmental, Technological and Nuclear Supervision of the Russian Federation	Technical inspection and supervision in the electric power industry
Ministry of economic development and trade of the Russian Federation	Macroeconomic parameters
Rosimushchestvo	Corporate governance



## Our Strategy Priorities

In accordance with strategic goals, set to JSC ROSSETI by the Government, and taking into account current requirements and challenges faced by the electric power industry, goals and priorities of JSC ROSSETI are defined in the following areas:

<b>1. RELIABILITY</b>	<b>2. MODERNIZATION</b>
<b>3. EFFICIENCY</b>	<b>4. AVALIABILITY</b>

### 1. RELIABILITY

**Ensure the reliable and uninterrupted power supply, energy security:**

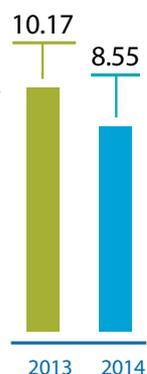
- decrease of number and duration of power outages (accidents),
- decrease electricity underdelivery to customers,
- management the condition of electric grid facilities,
- assurance compliance of the facilities, putting into operation, with reliability and safety requirements
- development of certification of equipment system, materials and systems as incoming control of technical data of the equipment applied in SDC's objects,
- development of technical inspection and supervision in JSC ROSSETI.

### **ROSSETI's Main Results of Securing a Reliable and Uninterrupted Power Supply in 2014**

In order to secure a reliable and stable power supply in all regions of ROSSETI's operations, the Company continued in 2014 to systematically work toward lower accident rates and achieved appreciable results in this area.

In the reporting period, all branches of ROSSETI's subsidiaries and dependent companies achieved their planned targets of the Average Outage Duration Indicator. 25 companies/branches achieved substantial improvement to the Average Outage Duration Indicator.

Overall, in the ROSSETI Group's networks rated 6 kV and above in the reporting period, the specific accident rate was decreased by 16%, while the average duration of power outages was decreased by 20.5%



**Specific accident rate (number of process failures / 1,000 conditional units of equipment)**



**Average duration of power outages (hours)**

### Repair Program

The principal goal of ROSSETI's repair program is to secure a reliable and high-quality electricity supply for consumers, including households and large industrial customers, and ensure the accident-free operation of facilities in the heat deficit period.

In 2014, expenses associated with repairs done in-house or by contractors to substations and overhead lines, buildings and structures, and other equipment totaled RUB 22.5 rubles and RUB 14.3 rubles respectively. The completion of the repair program in the reporting year is 107%.

The 2014 repair program related to the following types of equipment:

- substations rated 35 kV and above;
- overhead lines rated 35 kV and above;
- buildings and structures;
- protective relays and automatic emergency control systems;
- dispatching and process control equipment;
- measuring instruments, measuring systems, and energy metering systems;
- distribution networks rated 0.4/6/10 kV;
- mechanized equipment and vehicles;
- automated control systems;
- safety equipment.

The repair program included measures to implement regulatory instructions and target-oriented programs to:

- enhance the operating reliability of power equipment and overhead lines;
- prepare electric grid facilities for operation in the heat deficit period and lightning storm season;
- ensure reliable operation in the floodwater period;
- carry out instructions issued by supervisory authorities.

The timely implementation of the repair program is the key to successful operation in the heat deficit period. Overall, the ROSSETI Group's accident rates in networks rated 6 kV and above in the 2014/15 heat deficit period went down by 25%. Accident rates in networks rated 110 kV and above decreased by 22% in the same period.

Compared with the previous reporting period, the number of massive power outages grid facilities due to adverse weather conditions decreased from 127 to 85, with the average power restoration time reduced from 3.8 hours to 3.0 hours, i.e. by about 20%.

Throughout the period of preparations for winter peak loads, ROSSETI takes comprehensive measures to improve electricity supply reliability: the cleanup and widening of clearings, repairs to primary equipment, skill improvement, and grid-wide exercises aimed at enhancing interaction among the ROSSETI Group's electric grid companies. This makes it possible to send personnel and resources to adjacent areas for accident recovery work as soon as possible.

In planning the production program, the ROSSETI Group continues to increase the share of repairs carried out on the basis of the assessment of technical condition with respect to equipment of substations and elements of overhead lines, and according to the results of technical examination, diagnostic inspections, tests, and measurements. For instance, in addition to standard major repairs to transformers and intermediate repairs to circuit breakers medium repair, the following work was done in 2014:

- high-voltage bushings were replaced by bushings with solid insulation;
- on-load tap changers were repaired;
- for circuit breakers rated 35–110 kV, hollow porcelain insulators were replaced, new modern actuators were installed, and high-voltage bushings, arc chutes, and internal tank insulation were replaced.

## Reducing Accident Rates

### Accident Rates in the Electric Grid Sector

In the reporting period, ROSSETI's subsidiaries and dependent companies recorded and investigated 122,856 process failures in networks rated 6 kV and above (13% down from 2013), including 15,995 process failures in networks rated 110 kV and above (6% down from 2013).

The system of recording electric grid facilities' process failures in ROSSETI SDCs in 2014 was governed by the following regulations:

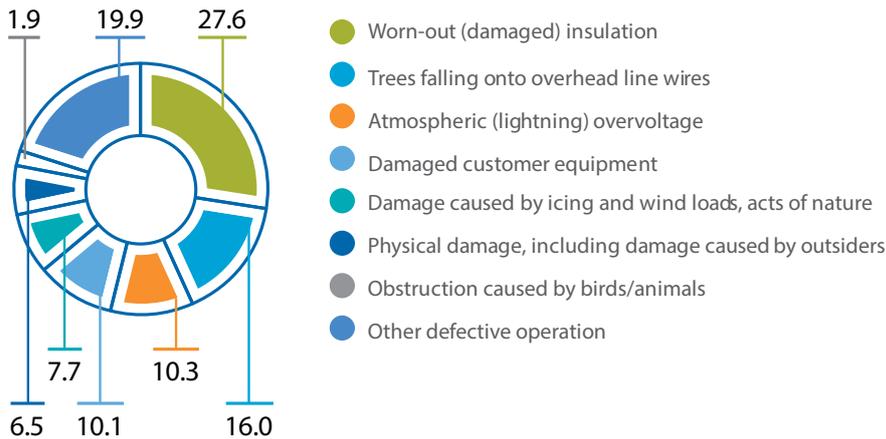
- Rules for Investigating into the Causes of Accidents in the Electricity Industry, approved by Resolution of the Government of the Russian Federation No. 846 of October 28, 2009, whereby all process failures in any network of 6 kV or above are classified as accidents;
- Guidelines for Calculating the Level of Reliability and Quality of Supplied Goods and Rendered Services for the Organization Managing the Unified National (All-Russian) Electric Grid and Territorial Grid Organizations, approved by Order of the Ministry of Energy of the Russian Federation No. 718 of October 14, 2013.

In order to expand the system of assessing the performance of its electric grid facilities on the basis of accident information, including making it possible to calculate globally applied electricity supply reliability indicators, ROSSETI developed and introduced into its subsidiaries and dependent companies an up-to-date software system for recording process failures (Avariynost).

The criterion for measuring reliability, based on the generally accepted international indicators and under the documents listed above, is the duration of power outages. The equivalent of the above-mentioned indicator for ROSSETI's subsidiaries and dependent companies is the Average Outage Duration Indicator specified by Regional Energy Commissions. All ROSSETI SDCs achieved their planned targets in this area.

According to process failure investigation reports, the main causes of reliability failures in electric grids (as a percentage of the total number of process failures/accidents) are as follows:

**Main causes of reliability failures, %**



ROSSETI SDCs continued in 2014 to work under the target-oriented multiyear programs to:

- widen narrow clearings;
- replace oil circuit breakers rated 6–110 kV with modern vacuum circuit breakers and SF6-insulated circuit breakers;
- replace surge arresters rated 6–110 kV with overvoltage suppressors, etc.

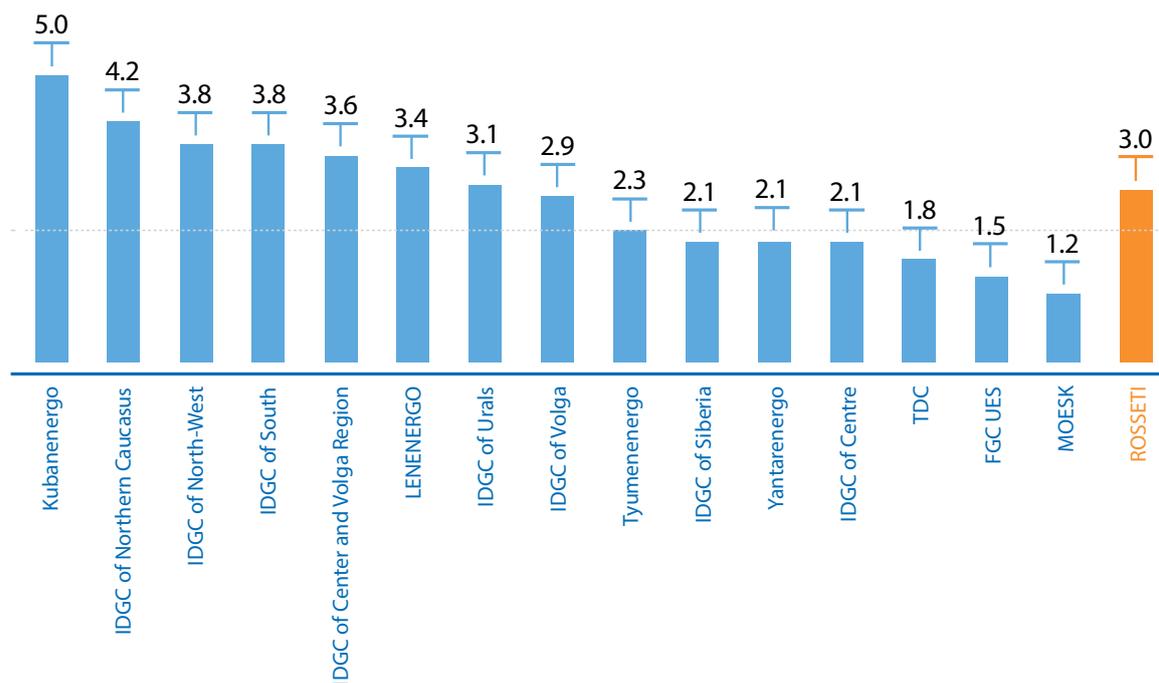
In 2014, measures were developed and carried out to prevent consistent failures of overhead lines.

Effective production operations in 2014 reduced process failures caused by trees falling onto overhead line wires, malfunctions and false operation of relay protection, and other defective operation.

### Reducing Electricity Underdelivery

One of the principal parameters that can be influenced by an electric grid company in relation to calculating this indicator is the duration of process failures resulting in power outages. For comparison, the diagram below shows information by company about the average duration of process failures related to power outages.

### Average Duration of Process Failures Related to Power Outages (hours)



The ROSSETI Group’s total average duration of process failures in 2014 is 20.5% down from 2013.

Overall, the reliability indicators were substantially improved by the timely and high-quality implementation of the capital investment and repair programs and by the comprehensive modernization and technical upgrading of electric grids.

### Energy Conservation and Energy Efficiency Enhancement

Energy efficiency enhancement is one of the principles of increasing the competitiveness of the Russian economy. In this regard, one of the ROSSETI Group’s priorities is to implement energy conservation and energy efficiency enhancement measures aimed at the efficient use of energy resources and the reduction of network electricity losses. To this end, ROSSETI formulated and implement 16 energy conservation and energy efficiency enhancement programs of subsidiaries and dependent companies (interregional distribution grid companies and FGC UES; hereinafter, “SDCs”) and 7 programs of ROSSETI SDCs’ subsidiaries.

In 2014, the Board of Directors ROSSETI approved the Innovative Development, Energy Conservation, and Energy Efficiency Enhancement Policy, defining a set of the principles and rules of measures aimed at energy conservation and energy efficiency enhancement.

□ Detailed information about the Policy can be found on the corporate website at [http://www.rosseti.ru/investment/policy\\_innovation\\_development/](http://www.rosseti.ru/investment/policy_innovation_development/)

The energy conservation targets are as follows:

- reduce energy losses;
- reduce specific energy consumption for business needs;
- provide modern electricity meters for the retail market.

In 2011, each interregional distribution grid company formulated its energy conservation and energy efficiency enhancement program and had it approved by the board of directors

The Programs include the following production subprograms:

- program of organizational and production engineering measures to reduce electricity losses;
- program to reduce the consumption of energy resources for production and business needs;
- program to renew electric grid equipment;
- program of the long-term development of electricity metering systems in the retail market.

Based on interregional distribution grid companies' programs, the Consolidated Energy Conservation and Energy Efficiency Enhancement Program for 2011–2016 was approved and brought into operation.

Jointly with the Ministry of Energy of the Russian Federation, ROSSETI analyzed in 2014 the existing programs and factors affecting the efficiency of their implementation. Based on the analysis results, the Company drew up the following documents:

- Regulations for the Formation of Energy Conservation and Energy Efficiency Enhancement Programs of Subsidiaries and Dependent Companies of ROSSETI;
- Certificate of the Energy Conservation and Energy Efficiency Enhancement Program (formats);
- Instruction on the Formulation of the Energy Conservation and Energy Efficiency Enhancement Program of Subsidiaries and Dependent Companies of ROSSETI.

This approach to the formulation of the programs was reviewed and approved by the Board of Directors of ROSSETI.

The main differences from the existing energy conservation program are as follows:

- Targeted measures were identified.
- The metering system development program was separated from the energy conservation program.
- The energy conservation program was given priority over the capital investment program.
- Efficiency measures were ranked.
- Energy efficiency benchmarking was provided for ROSSETI's subsidiaries and dependent companies.
- The expanded list of targets was made.
- New formats were developed in accordance with the above-mentioned requirements and instructions on completion.
- The explanatory note form and the measure certificate form were added.
- Approaches were synchronized with the methodology of preparing the capital investment programs.

In view of the new approach, the Unified Energy Conservation and Energy Efficiency Enhancement Program of ROSSETI was developed, decomposing the ROSSETI electric grid sector's efficiency for SDCs. The Program will form the basis for SDCs' programs.

 Detailed information about the energy resources used for business needs and the results of measures to reduce the consumption of energy resources can be found in **Appendix 11** to the Annual Report

## 2. Modernization

### Implementation of the Innovative Development and R&D Programs

ROSSETI successfully continued in 2014 to carry out the Innovative Development Program for distribution and transmission grids. The Innovative Development Program of ROSSETI consists of two separate parts:

- The Company's Innovative Development Program for 2011–2016 implemented in subsidiaries and dependent companies (interregional distribution grid companies) of ROSSETI.
- The Innovative Development Program developed and implemented in FGC UES for transmission grids.

The Programs involve 17 subsidiaries and dependent companies of ROSSETI, operating in 78 Russian regions: interregional distribution grid companies and FGC UES.

The Programs are aimed at achieving the strategic goal of the electric grid sector: securing the reliable, high-quality, and affordable energy supply for customers on a long-term basis by building a network infrastructure that is maximally efficient and conforms to international standards, including using advanced innovative approaches, technologies, and solutions.

□ Detailed information about the Innovative Development Program can be found on the corporate website at [http://www.rosseti.ru/investment/introduction\\_solutions/](http://www.rosseti.ru/investment/introduction_solutions/)

#### The Innovative Development Program focuses on:

- ensuring the development and introduction of advanced technology and creating the conditions for carrying out innovation projects;
- automating the operation of electric grid facilities;
- implementing pilot projects and solutions;
- building up an efficient management system for innovative development and streamlining the business process management system;
- developing and introducing new energy efficiency technology and making use of modern engineering solutions aimed at energy efficiency enhancement;
- developing and improving electricity metering systems;
- employing up-to-date quality control methods for the management system;
- carrying out the Research and Development (R&D) Program;
- minimizing the adverse impact of electric grids on the environment and public health;
- improving the system of mutually beneficial collaboration with innovative small and medium-sized businesses and carrying out projects and R&D activities aimed at the development of innovative technologies, products, and services;
- creating the conditions for the development of employees' competencies in innovation, research, and engineering by improving personnel training programs and providing the Company's employees with targeted training, advanced training, retraining, and pre-evaluation training.

An important result of accomplishing the key goals of the Innovative Development Program is the practical use of solutions and technologies, namely focused and comprehensive projects, with their subsequent commercialization.

In 2014, ROSSETI developed and approved the Innovative Development, Energy Conservation, and Energy Efficiency Enhancement Policy. The Policy defines the principles and rules of conduct for the Company's functional areas with respect to innovative development, energy conservation, energy efficiency enhancement, and environmental protection. The Policy contains goals and objectives and specifies targets and implementation mechanisms for the above-mentioned functional areas.

☐ Detailed information about the Innovative Development, Energy Conservation, and Energy Efficiency Enhancement Policy can be found on the corporate website at [http://www.rosseti.ru/investment/policy\\_innovation\\_development/](http://www.rosseti.ru/investment/policy_innovation_development/)

## Implementation of the R&D Program

A significant part of the Innovative Development Program is the Research and Development (R&D) Program. The formulation of the R&D Program takes account of the challenges faced by the electric grid sector and takes into consideration the promising innovative areas of R&D in line with the innovative development programs of ROSSETI's subsidiaries and dependent companies.

The R&D Program contains measures to develop breakthrough technologies aimed at creating fundamentally new products, techniques, and methods and covers practical areas of improving existing technologies.

In 2014, proposals were invited for the R&D Program, received proposals were examined, and the R&D topics that had previously been approved but remained without implementation on a contractual basis were updated; the letter of information (No. BR-138 dated January 13, 2014) and the lists of topics approved for inclusion in the R&D Program were prepared, formally submitted, and posted on ROSSETI's corporate website. In furtherance of its efforts to improve the R&D management system, ROSSETI formulated and approved the Regulations for the Introduction of Innovative Solutions into ROSSETI. This document sets forth the procedure for ROSSETI's and its SDCs' measures to organize the introduction of innovative and/or high-technology products and deliverables of ROSSETI and SDCs under the R&D Program.

Introduction means a full range of activities carried out by ROSSETI and its subsidiaries to bring innovative solutions into use by electric grid facilities. These activities include keeping the Register of Innovative Solutions Recommended for Use by Subsidiaries and Dependent Companies of ROSSETI, setting the target for an increase in services provided using innovative solutions, and introducing such solutions into facilities under repair and capex programs.

In 2014, the Company developed the Concept of Managing the Intellectual Property of ROSSETI and Subsidiaries and Dependent Companies of ROSSETI, approved by the Management Board of ROSSETI.

As part of carrying out the action plan to implement the intellectual property management system, ROSSETI and SDCs initiated the formulation of internal regulations and orders relating to intellectual property, innovation, and invention management. In addition, the Company plans to create an IT system for intellectual property management.

To find a long-range solution to developing the R&D management system, ROSSETI and SDCs are considering setting up the centralized Foundation for Research, Development, and Innovation Support and the Center for Technology Monitoring and Transfer.

The R&D Foundation will provide further impetus for the development of R&D by making it possible to carry out long-term projects with confirmed financial backing from the R&D Foundation, distribute R&D deliverables to all SDCs, and co-finance large-scale projects jointly with sectoral and governmental foundations.

☐ Detailed information about the R&D Program can be found on the corporate website at <http://www.rosseti.ru/investment/niokr/>

## Major Breakthrough Technology Projects Implemented in 2014, Including Under the R&D Program

SDCs	Project	Result
FGC UES	Developing and producing a prototype of an SF6-insulated supply transformer rated 220 kV and 63 MVA	A prototype of one phase of an SF6-insulated transformer rated 220 kV and 63 MVA was created and tested.
	Developing and producing an	An industrial prototype of a thyristor-controlled phase

	industrial prototype of a thyristor-controlled phase shifter for a specific facility of the Unified National (All-Russian) Electric Grid	shifter for a facility of the Unified National (All-Russian) Electric Grid was developed and produced.
	Designing industrially aesthetic single-circuit and double-circuit towers for overhead lines rated 220 kV	A set of documents was developed to enable industrially aesthetic single-circuit and double-circuit towers for overhead lines rated 220 kV to be used under overhead line construction and rehabilitation projects.
	Setting up the Digital Substation Test Field. Prototyping and testing the Digital Substation software and hardware system	Russia's first Digital Substation was set up and is simultaneously used as a test field for various solutions.
	Building a system of "hot spot" condition monitoring based on temperature and current sensors for overhead lines rated 110–220 kV	A system was built to assess the actual condition of specific overhead line elements to do the condition monitoring of overhead lines, plan repairs, and improve overhead line reliability in electricity transmission and distribution.
<b>IDGC of Center and Volga Region</b>	Developing a system of dynamic compensation for reactive loads resulting from abrupt changes in network loads with the capability to record network loads and generate and upload event reports	A mathematical model was built, an automation algorithm and software prototype were developed, the software prototype was tested and debugged, a prototype of a dynamic compensation device was developed and produced, the prototype of a dynamic compensation device was tested at a facility of Tulenergo, a branch of IDGC of Center and Volga Region
	Preparing a concept of using Smart Grid elements and individual transformer substations (one transformer for one house) to build an innovative electricity network rated 0.4–6 (10) kV in a particular locality	A 390-meter pilot section of the distribution network in Bogorodsk, Nizhni Novgorod Region, was put into test operation, using 10 individual transformer substations rated 0.55/0.23 kV and 0.95/0.4 kV combined with the suspension of networks rated 0.4 and 0.95 kV.
	Developing a lightning protector based on a multi-chamber system: a ShFMK-20 multi-chamber surge arrester based on porcelain pin insulators and their modifications for overhead lines rated 6–20 kV	47 insulating surge arresters were put into test operation in a 3-kilometer section of 10-kV overhead line No. 1004 of Cherkutino Substation.
<b>Kubanenergo</b>	Developing a system of field-based supply transformer insulation testing using a system of partial discharge monitoring	A system of transformer insulation testing was created and tested at five of Kubanenergo substations rated 110 kV (110-kV Pochtovaya Substation, 110 kV Staro-Shcherbinovskaya Substation, 110-kV Shcherbinovskiy s/s Substation, 110-kV Zhuravskaya Substation, 110-kV Lebedi Substation) without interrupted substation operation for analyzing the existence and increasing intensity of partial discharges.
<b>Tyumenenergo</b>	Developing a frequency-dependent resistor for high-frequency overvoltage suppression	Three prototypes of frequency-dependent resistors were installed and put into test operation at Noyabrsk Electricity Networks, a branch of Tyumenenergo (110-

		kV Sugmuskaya Substation).
	Developing, producing and putting into use a digital protective relay for electrical installations without control current sources	24 prototypes of TOR 120 factory-assembled relay protection devices were put into test operation at 110/10-kV Yuzhny TPO Substation of Tyumen Distribution Networks, a branch of Tyumenenergo.
<b>IDGC of Northern Caucasus</b>	Developing a technique and device for the remote detection of damaged insulators of overhead lines rated 6–35 kV	A prototype was made for remote high-voltage fault localization for overhead line insulation.
<b>IDGC of Centre</b>	Designing polygonal steel anchor towers for overhead lines rated 0.4 kV	A single-pole polygonal steel anchor tower with technical and economic characteristics higher than those of its equivalents was developed.
<b>IDGC of South</b>	Creating and putting into test operation a selective protection set using modern hardware components for protection from line-to-ground short circuits in compensated and uncompensated networks rated 6–35 kV based on detecting line-to-ground short circuits in transitional and established processes	An individual protector and centralized selective annunciator were developed; the equipment was test-operated.
<b>IDGC of Volga</b>	Developing and producing a static dry arc-control device for capacity current compensation in networks rated 6–10 kV	A prototype of ATDS dry power equipment with improved capability was made for capacity current compensation for short circuits to ground in distribution networks rated 6–10 kV.
	Developing a set of diagnostic equipment for remote insulation fault localization for substations rated 35–220 kV	A prototype of an insulation fault localization system for substation equipment was installed and adjusted at a substation.

### Current Comprehensive Pilot Projects

SDCs	Projects
<b>IDGC of Siberia</b>	<ul style="list-style-type: none"> <li>• Pilot project for the modernization and development of electricity networks in the Republic of Buryatia</li> <li>• Pilot project for the self-contained electricity supply for isolated areas within the responsibility of ROSSETI. Introduction of self-contained hybrid (diesel-solar) plants</li> <li>• Pilot project for the introduction of solar collectors for hot water supply and boost heating for office buildings and utility areas</li> </ul>
<b>IDGC of Northern Caucasus</b>	<ul style="list-style-type: none"> <li>• Pilot project for the creation of energy-efficient urban infrastructure in Magas, Gudermes, and Kaspiysk</li> </ul>
<b>LENENERGO</b>	<ul style="list-style-type: none"> <li>• Pilot project for the use of high-capacity large-scale energy storage operating in parallel with a main electricity distribution grid</li> <li>• Pilot project for the use of high-capacity large-scale energy storage in solutions for electric vehicle charging stations</li> </ul>
<b>MOESK</b>	<ul style="list-style-type: none"> <li>• Pilot project for the development of standard digital substations rated 10, 20, and 35 kV</li> <li>• Pilot project for the introduction of solar collectors for hot water supply and boost heating for office buildings and utility areas</li> </ul>

<b>IDGC of North-West</b>	<ul style="list-style-type: none"> <li>• Pilot project for a 0.95-kV network using Smart Grid elements and individual transformer substations (one transformer for one house)</li> <li>• Pilot project for the use of direct current in a network rated 0.4 kV</li> <li>• Pilot project for the self-contained electricity and heat supply for isolated areas within the responsibility of ROSSETI</li> </ul>
<b>Kubanenergo</b>	<ul style="list-style-type: none"> <li>• Pilot project for a 0.95-kV network using Smart Grid elements and individual transformer substations (one transformer for one house)</li> </ul>
<b>IDGC of Centre</b>	<ul style="list-style-type: none"> <li>• Project for the rehabilitation of 110-kV Yartsevo-2 Substation with Digital Substation elements</li> <li>• Project for the construction of 35-kV Chyornaya Sloboda Substation with Digital Substation elements</li> <li>• Pilot project for the use of direct current in a network rated 0.4 kV</li> <li>• Pilot project for the application of Smart Grid technology in specific sections of the grid</li> </ul>
<b>IDGC of Urals</b>	<ul style="list-style-type: none"> <li>• Pilot project for the application of Smart Grid technology in specific sections of the grid</li> <li>• Pilot project for the introduction of solar collectors for hot water supply and boost heating for office buildings and utility areas</li> </ul>
<b>IDGC of Volga</b>	<ul style="list-style-type: none"> <li>• Pilot project for the application of Smart Grid technology in specific sections of the grid</li> <li>• Pilot project for the introduction of solar collectors for hot water supply and boost heating for office buildings and utility areas</li> </ul>
<b>Yantarenergo</b>	<ul style="list-style-type: none"> <li>• Pilot project for the application of Smart Grid technology in the electric grid district</li> </ul>

## Development of the EV Charging Station Infrastructure

A significant project in 2014 was ROSSETI's participation in the nationwide program to develop the electric vehicle charging station infrastructure. Carried out in regions where ROSSETI's SDCs have operations, the project has the high economic potential for the energy industry and is environmentally friendly.

**The main achievements in the development of the EV charging station infrastructure in the reporting period are as follows:**

- Creation of an ultra-fast charging station for electric public transportation (electric buses) within the responsibility of MOESK;
- Development of engineering solutions related to combining conventional distribution grid facilities with a charging infrastructure (transformers of a medium-voltage and low-voltage network) within the responsibility of IDGC of Centre;
- Development of engineering solutions related to combining a charging infrastructure with high-capacity lithium-ion storage batteries for connections in limited network capacity and/or energy supply category conditions within the responsibility of IDGC of Center and Volga Region;
- Launch of the first charging stations in Saint Petersburg and Yaroslavl as part of developing Russia's EV charging station infrastructure;
- Creation of a smart infrastructure in Skolkovo (construction of a charging station infrastructure (network) for electric vehicles (big and small electrobuses) (Skolkovo Innovation Center, Moscow Region). Five charging stations came into operation;
- Creation of a charging infrastructure in New Moscow (construction of a charging station infrastructure (network) for electric vehicles (big and small electrobuses) in New Moscow);
- Launch of the city's first electrobus route in Yaroslavl within the responsibility of IDGC of Centre.

## Development of Technical Standard Documents (TSD)

In 2014, ROSSETI provided resources for establishing the Subcommittee on Electric Grids (Transmission and Distribution) of the Technical Committee on Electricity Industry Standardization working in the area of national standardization in accordance with Order of the Federal Agency for Technical Regulation and Metrology of the Russian Federation No. 1322 of September 5, 2014, “On the Reorganization of the Technical Committees on Electricity Industry Standardization.”

ROSSETI’s active participation in the Subcommittee made it possible to formulate proposals for the plan to develop national and interstate standards for 2015. The plan includes 15 documents, 11 national standards, and four interstate standards with financial backing; the formulation of action plans for national standardization for 2016 and 2017 is nearing completion.

ROSSETI’s technical regulation system is intended to accomplish the following objectives:

- Ensure Russia’s energy security and strengthen its national economy;
- Strengthen scientific, technical, economic, and industrial relations with foreign countries;
- Improve the quality of domestic electrical equipment;
- Transfer smart technology;
- Place barriers to the penetration of low-quality electrical equipment to the sector and ensure import substitution for foreign equivalents;
- Secure the reliable and effective operation of the electric grid sector.

ROSSETI and its SDCs achieved the following results in 2014:

- technical standard documents that are in wide use by SDCs in their activities were collected. At present, the collection consists of more than 950 documents;
- the classifier of utilized equipment and processes describing SDCs’ business operations was developed;
- the plan to develop corporate, national, and interstate standards for 2015–2017 was formulated. At present, the draft plan includes more than 400 documents;
- the issue of 19 standards of ROSSETI and 24 standards of SDCs was completed or is nearing completion; two interstate standards and six national standards were submitted for review; work started on revising the industry’s basic document RD 34.45-51.300-97 “Scope and Standards of Electrical Equipment Tests.”

## Setting up the Federal Testing Center

The year 2014 saw the beginning of setting up Russia’s Federal Testing Center (FTC), one of its founders being ROSSETI. FTC will have all necessary equipment and will focus primarily on testing high-voltage equipment. The establishment of the Federal Testing Center is one of the most important steps toward the development of the country’s electric grid sector.

In April 2014, the Board of Directors of ROSSETI approved the Concept of Setting up the Federal Testing Center, which defines FTC’s tests and laboratories, the total amount of investment, the intended financing structure, and investment performance indicators. On October 16, 2014, the Russian Government issued the directive to establish Public Joint-Stock Company Federal Testing Center (PJSC FTC). On November 21, 2014, the company was registered in Saint Petersburg.

On December 15, 2014, the concept of developing the Federal Testing Center was submitted for consideration by the Board of Directors of PJSC FTC, resulting in the approval of the workforce structure for the initial period of operation. In 2014, the contract was awarded for the development of project documents related to setting up FTC, including:

- developing basic technical solutions for facilities under construction
- determining power consumed by FTC from the external power grid

- determining the composition of test laboratories and benches
- considering the creation of a network test bench
- estimating the total value of FTC
- developing the external electricity supply scheme of FTC.

The project involves building a complex of 20 laboratories, including high-voltage equipment test benches, a climatic test chamber for electrical installation with test temperatures ranging from +65 to -70 °C, and electromagnetic-compatibility and mechanical-stress test laboratories

FTC will make it possible to conduct investigative tests of prototypes and pre-production models of new electrical products, while the industry will be provided with the development of domestic manufacturers of equipment rated over 110 kV.

Setting up FTC will considerably shorten the period from developing new domestic technologies to bringing them into use. In addition, the test facilities available in the country will create the conditions for avoiding additional transportation costs and customs fees and duties associated with the delivery of equipment to and from foreign testing centers, which will limit increases in the cost of equipment and provide strong support for the strengthening and development of domestic manufacturers.

ROSSETI expects that the creation of the Federal Testing Center will be complete in December 2017.

## Import Substitution

The development of the Russian electric power industry is currently aimed at attaining the goals of the country's economic modernization and diversification. In 2014, the Government of the Russian Federation put forward a whole range of legislative initiatives to carry out the import substitution policy. The foreign economic situation in 2014 around the Russian Federation is currently a key driver of speeding up and expanding import substitution in all key areas of economic development, including the electricity industry.

Import substitution is regarded as a mechanism for the innovative development of the energy and related industries and as a driver of developing domestic power plant engineering, electrical engineering, and sectoral and fundamental science to ensure Russia's energy and economic security

In this connection, ROSSETI identified two key areas of import substitution policy implementation:

### **Ensuring industrial growth in the Russian economy through the development of domestic manufacturers' competencies and technology transfer:**

- identify the modern and innovative technologies necessary for the implementation of ROSSETI's strategy and technical policy and transfer them at the desired level of production and R&D localization;
- create the conditions for providing the electric grid sector with domestically made modern equipment, including ROSSETI's direct involvement in designing new and up-to-date types of electrical equipment.

### **Improving the competitiveness of the Russian energy sector through the development of engineering capabilities for power plant engineering inside the country:**

- create the legislative conditions for giving preference to the use of domestically made equipment and component parts;
- establish priorities with respect to domestic substitutes for imported equipment to build up a system of long-range conditions for the production of domestic equivalents;
- geographically diversify the supply of equipment and component parts that have no domestic equivalents.

As instructed by the Presidential Commission for Strategic Development of the Fuel and Energy Sector and Environmental Security of the Russian Federation (Minutes of the Meeting No. A4-26-368 of June 4, 2014), ROSSETI formulated and carries out the Action Plan to Reduce Import Dependence in the Electric Grid Sector of the Russian Federation. The Action Plan includes the following key measures:

- develop and implement the comprehensive Import Substitution Program for ROSSETI subsidiaries for the period until 2019;
- extensively cooperate with domestic manufacturers in order to create the conditions for achieving expanded production and improved product quality;
- centralize equipment purchases for ROSSETI subsidiaries in order to unify technical and design solutions and maximize the use of domestic equivalents;
- minimize the use of imported equipment and materials in the course of preparing design solutions;
- create the conditions for entering into long-term supply contracts with domestic manufacturers for guaranteed quantities in order to use state-of-the-art technology and maximize production localization for equipment and component parts.

ROSSETI entered into an agreement with its technological partner Rostec for import substitution in the electric grid sector

ROSSETI and Rostec signed the Road Map and established the Coordination Council on setting up the Common Competence Center for the manufacture and supply of import-substituting equipment for the electric grid sector.

In 2014, in the presence of President of the Russian Federation Vladimir Putin and President of the People's Republic of China Xi Jinping, ROSSETI and SGCC signed the Strategic Cooperation Agreement to set up a Russia-based joint venture in order to modernize electric grid facilities and attract new technology and investment, which will facilitate the diversification of supplied equipment and component parts.

An important area of import substitution is also to increase the localization of foreign manufacturers' production. Aiming to do production localization in Russia, the Company signed strategic cooperation agreements with Hyundai Heavy Industries, ABB, and Alstom in 2014. In order to optimize costs of localized products, ROSSETI also works to reduce customs duties on imported component parts. For instance, import duties on component parts for factory-assembled switchgear were abolished (reduced to zero) in 2014.

ROSSETI is active in cooperating with Russian regional authorities to encourage local manufacturers to supply products to its facilities. In 2014, the Company entered into a cooperation agreement with the Sverdlovsk Region Government and signed a road map with the Tomsk Region Government.

ROSSETI has plans to accelerate import substitution and decrease the share of imported products used by electric grids to 14% by 2020

ROSSETI's comprehensive Import Substitution Program will be considered by the Board of Directors in the first half of 2015 and should become one of the key instruments for implementing the Long-Term Development Program of ROSSETI.

The large-scale import substitution project for the electric power industry will be facilitated by Federal Law No. 488-FZ "On Industrial Policy in the Russian Federation" developed by the Ministry of Industry and Trade of the Russian Federation and enacted on December 31, 2014.

□ Detailed information about the Import Substitution Policy of the Company can be found on the corporate website at <http://www.rosseti.ru/investment/cooperation/>

### 3. Efficiency

#### Enhancing the operating efficiency of electric grids as related to:

- operating activities,
- investing activities,
- energy efficiency,
- import substitution,
- innovative development,
- environmental security,
- institutional transformations improving the efficiency of the electric grid sector as a whole,
- anti-corrupt practices,
- internal control, risk management, and internal audit.

#### Cost Management

One of the key objectives of the Company's management is to increase the operating efficiency of ROSSETI SDCs. The targets of improving the operating efficiency of the electric grid sector are set by the Strategy for Development of the Electric Grid Sector of the Russian Federation approved by Ordinance of the Government of the Russian Federation No. 511r of April 3, 2013.

#### Key Targets of the Strategy for Development of the Electric Grid Sector of the Russian Federation

- reduction of operating expenses by 15% by 2017, adjusted for inflation, compared with 2012, per unit of maintained electrical equipment
- reduction of specific investing expenses by 30% compared with 2012 (in rubles per physical unit: kilometers, MVA)
- reduction of electricity losses by 11% by 2017 compared with 2012

In order to attain the Strategy's targets of reducing operating expenses, ROSSETI formulated the Economic Policy approved by the Board of Directors (Minutes of the Meeting No. 156 of May 29, 2014) and the Operating Efficiency Management Program for 2014–2017 (Order No. 667 of November 27, 2013).

The Company's Economic Policy defines the priorities, goals, and activities of the ROSSETI Group to improve the efficiency of the electric grid sector's operating and financing activities, ensure long-term and transparent tariff regulation, keep a balance between the interests of electric grid companies and customers, and make the entire industry more attractive to investors.

The Operating Efficiency Management Program is an instrument for improving the ROSSETI Group's operating efficiency, aimed at minimizing the consumption of resources without being detrimental to the reliability, quality, and accessibility of power supply.

The Operating Efficiency Management Program is in line with the Action Plan to Limit the Ultimate Cost of Goods and Services of Infrastructure Companies (Instructions of the Prime Minister of the Russian Federation No. 6732p-P9 of November 11, 2013).

The target of the Operating Efficiency Management Program is to optimize costs and efficiently manage cash to meet the Company's challenges amid restrictions on tariff growth rates

The main areas of the Program are as follows:

- improve operating efficiency (reduce general and administrative expenses, increase workforce productivity, optimize the structure of repairs, reduce network electricity losses, improve the efficiency of receivables management, introduce the benchmarking system, etc.);
- improve the efficiency of investing activities (reduce specific investing expenses by 30% compared with 2012, conduct the price and technological audit of investment projects worth over 1.5 billion rubles, develop the institution of prioritizing capital investment projects, import substitution, increase the share of purchases using the auction procedure of decreasing prices (reverse auctions), create a centralized electronic trading floor, etc.);
- improve the efficiency of financing and other non-operating activities (take measures aimed at stabilizing the financial condition and maintaining credit ratings, optimize borrowing costs, find favorable financing terms, establish and monitor limits on the debt position, sell noncore assets, etc.).

The implementation of the ROSSETI Group's Operating Efficiency Management Program resulted in 2014 in cutting operating expenses by 13.5%, or 23.1 billion rubles compared with 2012, adjusted for inflation

In addition, in order to achieve the target set by the Strategy as related to reducing specific operating expenses and implement Directive of the Government of the Russian Federation No. 2454P-13 of April 23, 2014, regarding the reduction of general and administrative expenses by at least 15% of their actual value in 2013, the Optimization Programs for General and Administrative Expenses were developed for the ROSSETI Group, involving measures in the following areas:

- optimizing the management structures;
- improving the staff motivation system based on key performance indicators;
- optimizing the costs of external services (optimizing expenses associated with repairs using outside organizations' services, reducing travel expenses, decreasing expenses associated with voice and data communication services, bringing down expenses associated with information services, etc.).

In 2014, the ROSSETI Group cut general and administrative expenses by 17.5%, or 9.5 billion rubles compared with 2013

The efficient use of resources and cash management resulting from the implementation of the Operating Efficiency Management Program in 2014 enabled the Company to achieve the long-term targets set by the Strategy and implement the Government's policy on enhancing the efficiency of natural monopolies.

### Achievements and Results in the Reduction of Electricity Losses in 2014

The ROSSETI Group's actual electricity losses totaled 75,229.955 million kWh, or 9.52% of electricity delivered to networks. Compared with 2013, electricity losses decreased by 1,056.4 million kWh, or 0.14 percentage point. In accordance with the directive of the Government of the Russian Federation (No. AT-15120/08 of December 31, 2014), the planned level of electricity losses (key performance indicator, KPI) for ROSSETI was 9.63% for 2014. The KPI decreased in 2014 by 0.11 percentage point. The reduction in electricity losses is largely due to carrying out the measures contained in long-term energy conservation and energy efficiency enhancement programs approved by the boards of directors of ROSSETI SDCs.

The economic effect of measures to reduce electricity network losses totaled 5,219.8 million rubles in 2014

### Results of the Main Measures to Reduce Electricity Losses in 2014

Item	Measures	Effect,	Effect,
		million kWh	million rubles
1	Targeted measures to reduce electricity network losses in the Unified National (All-Russian) Electric Grid (FGC UES)	96.10	258.86
2.1	Organizational measures in distribution grids	1,762.85	3,001.80
2.2	Technical measures in distribution grids	218.42	371.93
2.3	Measures to improve electricity billing and metering systems in distribution grids	932.13	1587.23
	Total for distribution grids	2,913.40	4,960.96
	<b>TOTAL</b>	<b>3,009.50</b>	<b>5,219.82</b>

## Procurement activities

### Results of 2014

The share of purchases through electronic trading floors remained at 98%

The share of sole source purchases was down to 3.7%

Total economic effect with savings arising from procurement planning reached 30.6 billion rubles, exclusive of VAT

Draft Procurement Regulations of the ROSSETI Group were developed

#### Documents regulating procurement activities of JSC ROSSETI:

- The Civil Code of the Russian Federation
- Federal Law No. 135-FZ "On Competition Protection"
- Federal Law No. 223-FZ "On Purchases of Goods, Work, and Services by Certain Types of Corporate Entities"
- Procurement Regulations of JSC ROSSETI

☐ Detailed information about the documents governing the Company's procurement can be found on the corporate website at <http://www.rosseti.ru/custom/acts/>

In building up its procurement management system, ROSSETI adheres to the principles of transparency, equality, fairness, and nondiscrimination in relation to participants in procurement procedures and is committed to the proper and cost-effective use of funds.

As provided for in the applicable laws, the Company's Procurement Regulations are published on Russia's official website at [www.zakupki.gov.ru](http://www.zakupki.gov.ru), on the Company's corporate website and the Company's electronic trading floor.

☐ Detailed information about electronic trading floors can be found on the corporate website at <http://www.rosseti.ru/custom/market/>

**98%**

The share of purchases through electronic trading floors in 2014

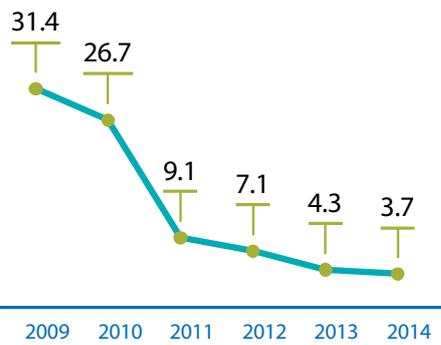
To provide potential participants with more opportunities for participation in procurement procedures, the Company systematically works to increase the proportion of purchases through electronic trading floors. For instance, the share of purchases through electronic trading floors increased from 78% in 2011 to 98% in 2013. In 2014, the share of purchases through electronic trading floors remained at 98%.

**3.7%**

The share of sole source purchases in 2014

At the same time, the Company works to reduce the share of sole source purchases. Compared with 2009, this indicator is down from 31.4% to 3.7% of the actual volume of purchases.

### Reduction of Sole Source Purchases in 2009-2014, %



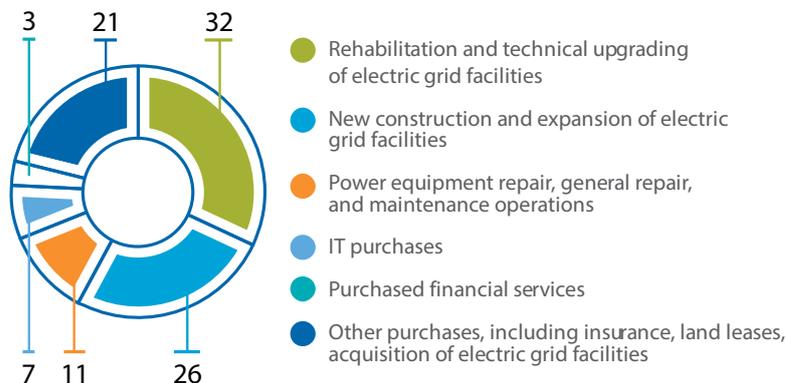
Overall, purchases of ROSSETI and its subsidiaries and dependent companies in 2014 were 37.3 thousand procurement procedures, totaling 319.9 billion rubles, exclusive of VAT, while the economic effect of competitive procedures in 2014 was 5.3%, or 17.9 billion rubles, exclusive of VAT.

**37.3**  
thousand pcs.

**319.9**  
billion rubles,  
exclusive of VAT

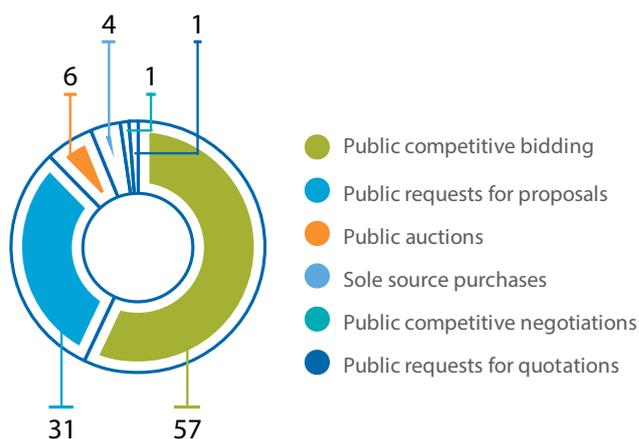
Purchases of ROSSETI and its subsidiaries and dependent companies in 2014

### Cost Breakdown by Activity in 2014, %



The main share (32%) accounts for rehabilitation and technical upgrading of electric grid facilities.

### Regulated Procurement Procedure Breakdown by Purchasing Method in 2014, %



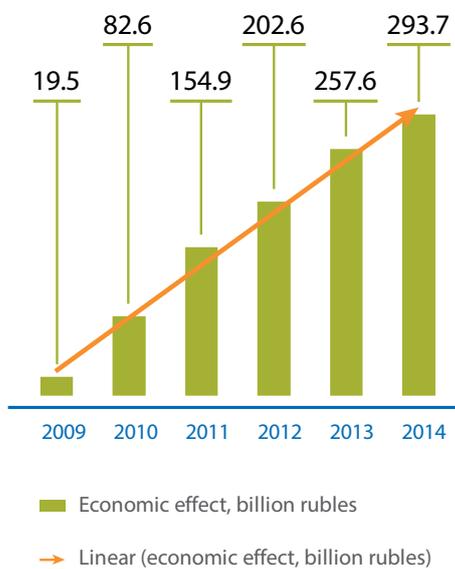
The main share (57%) accounts for public competitive bidding.

In addition, the economic effect obtained at the planning stage with a 10% and 30% cost reduction for large items covered by the 2014 consolidated capital investment program (without FGC UES) totaled 12.7 billion rubles, exclusive of VAT, or 3.6%.

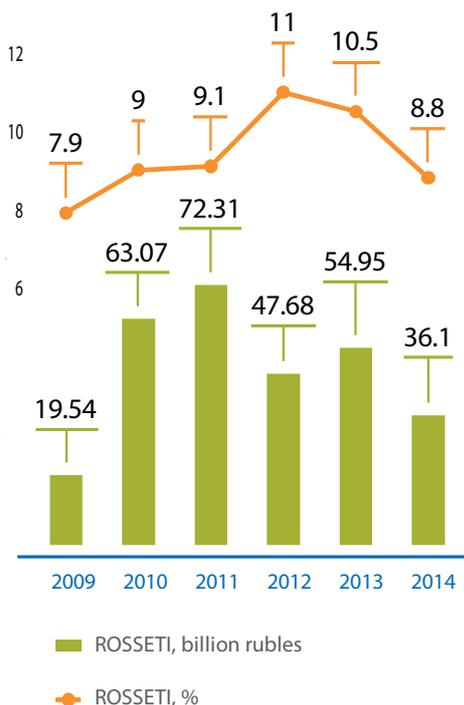
Therefore, the total economic effect with savings arising from procurement planning reached 30.6 billion rubles, exclusive of VAT, or 8.8%.

<h1>8.8%</h1>	<h1>30.6</h1> <p>billion rubles, exclusive of VAT</p>	<p>Total economic effect with savings arising from procurement planning in 2014</p>
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**Economic Effect on an Accrual Basis, 2009–2014**



**Economic Effect by Years, 2009–2014**



As part of implementing the Russian President’s instructions and the ensuing instructions issued by First Deputy Prime Minister of the Russian Federation Igor Shuvalov with respect to introducing a system of companies’ economic performance indicators, the Company’s Board of Directors approved the Technique for Calculating and Evaluating the Achievement of the KPI “At least 10 percent annual reduction of per-unit purchase costs related to goods (work, services) within three years in real terms in 2010 prices” and specified the corresponding KPI for senior managers of the Company and its subsidiaries and dependent companies.

<b>11%</b>	<b>12.5</b> billion rubles, inclusive of VAT	This technique enabled the Company and its subsidiaries and dependent companies to gain an additional economic effect of procurement procedures of the planned procurement prices in 2014
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In the reporting period, the Company continued its recent work on entering into long-term (three-year) contracts and framework agreements with manufacturers of basic electrical equipment.

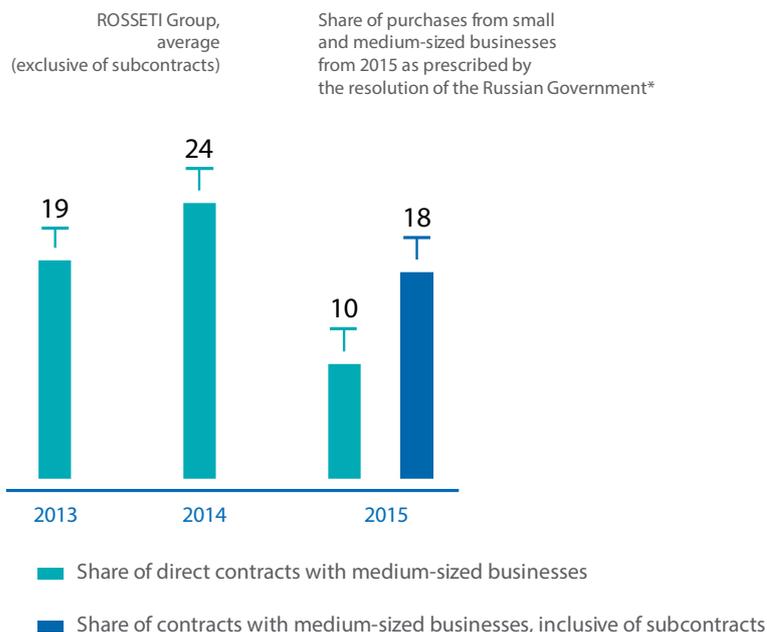
<b>Guaranteed Transparency</b>	In 2014, ROSSETI and its subsidiaries and dependent companies received the highest award in the National Procurement Transparency Rating of Contracting Public Entities
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### Cooperation with small and medium-sized businesses

In 2013, ROSSETI joined the Working Group of the Agency for Strategic Initiatives for the development and implementation of the Road Map “Expanding Access of Small and Medium-Sized Businesses to Purchases of Infrastructural Monopolies and Government-Linked Companies.”

In May 2013, the Russian Government approved the Road Map "Expanding Access of Small and Medium-Sized Businesses to Purchases of Infrastructural Monopolies and Government-Linked Companies." To date, ROSSETI has implemented all mechanisms and measures that could be carried out by the Company under the Road Map.

### Share of Purchases from Small and Medium-Sized Businesses, %



In the reporting year, small and medium-sized businesses won 24.1% of procurement procedures (compared with 19% in 2013).

Each of 15 subsidiaries and dependent companies has established a deliberative body responsible for public procurement audit, approved a partnership program, and included in its contracts the provisions giving preference to small and medium-sized businesses in accordance with the Resolution of the Government of the Russian Federation “On the Particularities of Small and Medium-Sized Businesses’ Participation in the Purchases of Goods, Work, and Services by Specific Types of Corporate Entities.”

In 2014, an electronic trading floor, which is primarily intended for small purchases, came into test operation. The trading floor provides maximum transparency and accessibility for procurement procedures, especially for small and medium-sized businesses. The trading floor is made attractive by providing minimum fees for participation in procurement procedures, and fees are payable only by the winning bidder while the other bidders pay no fees.

**24.1%** The share of procurement procedures of ROSSETI won by small and medium-sized businesses in 2014

In December 2014, the Russian Government adopted the Resolution “On the Particularities of Small and Medium-Sized Businesses’ Participation in the Purchases of Goods, Work, and Services by Specific Types of Corporate Entities.” ROSSETI incorporated the provisions of the Resolution into the regulations and orders governing the procurement activities of its companies, including the Procurement Regulations.

□ Detailed information about cooperation between ROSSETI and small and medium-sized businesses can be found on the corporate website at <http://www.rosseti.ru/custom/roadmap/>

Under the Strategy for Development of the Electric Grid Sector of the Russian Federation, the Company should perform methodological and coordinating functions, including with respect to its procurement policy

In this context and under the Road Map, the Company’s priorities are as follows:

- formulate the uniform Procurement Regulations for electric grid companies
- create a common information space for procurement.

## Anti-Corruption Policy

Large-scale legislative changes in regulation of anti-corruption efforts, organizational-structural changes in the distribution grid resulted in development of a single strategic document – Anti-Corruption Policy of ROSSETI and its subsidiaries and dependent companies, which defines the common approach of the Group to compliance with requirements of the Federal Law "On Combating Corruption", article 13.3 273-FZ, related to development and implementation of actions to prevent and combat corruption.

### Priorities of ROSSETI Anti-Corruption Policy

- evaluation of corruption risks
- detection and settlement of conflict of interest
- development and implementation of standards and policies aimed at fair operation support
- consideration and settlement of information on potential facts of corruption
- legal education and establishment of the basis for law-abiding behaviour of employees
- consulting and training of company employees
- internal control and audit
- actions to combat and prevent corruption in cooperation with counterparties
- interaction with state supervising authorities
- cooperation with law enforcement agencies in the sphere of combating corruption
- participation in joint initiatives to combat and prevent corruption

While implementing the anti-corruption policy, ROSSETI actively cooperates with state authorities and ensures publicity of its anti-corruption actions. The company builds relations with partners, counterparties and third parties in accordance with anti-corruption principles, implements competitive bidding, being guided by objective criteria in sourcing, engages in awareness raising, etc.

A lot of efforts in ROSSETI are spent on establishment of transparent business standards in the industry. Thus, a unique automated system - "Analysis and Collection of Data on Beneficiaries" - has been created in the company.

The system makes it possible to collect data from many sources into a single information space, having provided inspection of completeness and validity of data on legal entities and individuals – data on founders, owners, validity of the official legal address, data on Tax Payer ID, Primary State Registration Number of a counterparty, including a potential one. Besides, the system makes it possible to obtain data on a legal entity director, his or her business reputation, level of reliability, affiliation with the black list of suppliers/counterparties, instituted enforcement proceedings against counterparties, as well as to check his or her Tax Payer ID, passport data, address of residence, to detect criteria of affiliation, conflict of interest, pre-conflict situation and other abuse.

ROSSETI declares data on income, expenses, property and material obligations of Company's executive arm heads and top management of Subsidiaries and Dependent Companies, including their immediate relatives. This work includes generation, analysis, processing of information, as well as its submission to external controlling agencies.

The ROSSETI Group has developed and approved the List of Anti-Corruption Actions that includes a whole complex of measures and policies with a procedure of their performance. All of this imposes special obligations upon ROSSETI to build a single vertically integrated system of Anti-Corruption Policy implementation in the Group, the controlling shareholder of which is the government.

In order to implement the state policy on combating and preventing corruption, on September 23, 2014 ROSSETI joined the Anti-Corruption Charter of the Russian Business. After joining the Charter, ROSSETI introduced the anti-corruption program and other measures of anti-corruption and corporate policy aimed at fair and open business into the practice of corporate governance.

For successful implementation of the Charter provisions ROSSETI actively participates in the work of the Expert Group at the United Committee of the Chamber of Commerce and Industry of the Russian Federation, specially established for development of appropriate organizational, methodological and information guidelines.

- Detailed information about the Anti-Corruption Charter of the Russian Business can be found on the corporate website at <http://www.rosseti.ru/about/anticorruptionpolicy/hartiya>

In the process of anti-corruption work ROSSETI:

1. Participates in operation of the Expert Group of the Interdepartmental Working Group on Combating Illegal Financial Operations at Federal Financial Monitoring Service. Thus, for example, to disclose the structure of counterparties' owners, including beneficiaries (the end ones as well), the issue of a missing proper mechanism for identification of beneficiaries in part of validation of data on legal entities and individuals was presented to the members of the Expert Group of the Interdepartmental Working Group, which resulted in consideration of this issue in the Presidential Commission of the Russian Federation on Issues of Fuel and Industry Complex Development Strategy and Environmental Safety.

Therefore, under conditions of deoffshorization and combating money laundering, the governmental policy aimed at reduction of corruption risks may be secured with inclusion of a mechanism of proper identification of beneficiaries in regulatory acts, to avoid risk of invalid data submission and personal data processing

2. In order to detect and eliminate various barriers for development of the distribution grid, also in part of exclusion of instances of federal law violations during construction, reconstruction and operation of power facilities, ROSSETI participates in the interdepartmental working group at the Office of the Prosecutor General of the Russian Federation, which considered legal issues of ensuring business transparency, including elimination of conflicts of interest, affiliation and other abuse related to the position held:

- establishment of definitions (definition of the term "business transactions");
- establishment of the public legal obligation of company's counterparties to disclose information in respect to the entire chain of owners, including beneficiaries (end ones as well)'
- no regulatory and legal recording of the obligation to identify the chain of counterparties' owners, including beneficiaries (end ones as well);
- elimination of the risk to violate the law in the sphere of procurement, anti-monopoly law and rights of legal entities in connection with establishment of excessive requirements to procurement procedure participants by the customer as natural monopoly.

On the basis of submitted materials the Office of the Prosecutor General of the Russian Federation sent inquiries to the Federal Anti-Monopoly Service of the Russian Federation, and answers received have determined the future mechanism of operation.

Moreover, ROSSETI also actively cooperates with the Chamber of Commerce and Industry of the Russian Federation and the All-Russia People's Front - on the issue of establishment of a transparent procurement system, and many other public associations.

The main objective of measures executed by the company is to establish an environment that would minimize the manifestations of corruption. Successful resolution of this objective directly impacts business reputation of the Company, its perception by the partners and results of business operations

□ The full text of the Anti-Corruption Policy of the Company can be found on the corporate website at [http://www.rosseti.ru/media/zakupki/Antikorupionnaya\\_politika\\_25\\_11\\_2014.pdf](http://www.rosseti.ru/media/zakupki/Antikorupionnaya_politika_25_11_2014.pdf)

## Achievements in IT (Information Technologies and Communications)

Reliable power supply to consumers, effective distribution grid management, formation and development of smart networks are also based on using state-of-the-art telecommunications and information technologies. For these purposes in 2014 ROSSETI continued to implement the "Strategy for Development of Company and Its Subsidiaries and Dependent Companies Development in Information Technology, Automation and Telecommunications Until 2016" developed and approved by the Board of Directors (ITT Strategy), as well as ITT Strategies in subsidiaries of the Company: IDGC of Volga, IDGC of Northern Caucasus, IDGC of North-West, IDGC of Siberia, IDGC of Urals, IDGC of Centre, IDGC of Center and Volga Region, IDGC of South, Tyumenenergo, Yantarenergo, LENENERGO, MOESK, Kubanenergo.

The strategy in the field of information technology, automation and telecommunications is first of all aimed at improvement of automation level of key processes of the ROSSETI Group, in particular, development of operational process control.

In this regard in 2014 within the framework of ITT Strategy implementation the priority was given to the following actions:

- ensuring observability of key power facilities condition (by development of telemechanics and telecommunications systems);
- development of distribution grid dispatching control and situation management systems;
- development of automated control systems for key business processes of the ROSSETI Group (also in compliance with the requirements of the Ministry of Energy of the Russian Federation).

To optimize business processes, in 2014 centralization of control and support of key business aspects of the ROSSETI Group was completed. Within this work:

- a single data transmission network was arranged and commissioned to provide access of the Subsidiaries and Dependent Companies to information systems of the Data Processing Center. Currently operation of centralized information systems is organized on its basis: Automated Network and Managerial Accounting Collection, Consolidation and Analysis System (ANAS), Automated Receivables Management System and others;
- a single information space of managerial document circulation has been established in ROSSETI and Subsidiaries and Dependent Companies, making it possible to formalize processes of joint operation with documents, to issue instructions and monitor their performance in a centralized manner.
- a single electronic trading platform for ROSSETI Subsidiaries and Dependent Companies has been created to ensure a common procedure for various procurement in electronic form;
- the ROSSETI Corporate Portal has been established, with functions to book meeting rooms, a phone directory, pass ordering function, information fund and working areas of ROSSETI subdivisions;
- a single Automated Investment Planning and Reporting System of ROSSETI Subsidiaries and Dependent Companies has been introduced;
- systems of HR, business and tax accounting have been deployed in the ROSSETI branch - Technical Supervision Center;

- ANAS subsystems development has been finalized on procurement activities, management of production assets, development of corporate and technological automated control systems, HR policy and organizational development, investment activity, capital construction. A tool has been developed to automatically download information from various accounting systems of Subsidiaries and Dependent Companies/branches, as well as an analytical tool for reporting analysis has been provided to users;
- within ANAS development, realization of projects has started to create centralized automated systems of the ROSSETI Group financial reporting (IFRS) consolidation; business planning of the ROSSETI Group; R&D management in Subsidiaries and Dependent Companies, as well as network connection, transmission and accounting of energy of the ROSSETI Group;
- ROSSETI transition to its internal corporate telephony system has been completed;
- a system of remote access to corporate applications on the basis of Citrix software has been established. Protection of remote connection with the help of personal security certificates has been realized, as well as possibility to access systems from various platforms (IOS, Android, Windows);
- a set of documents has been developed and approved that regulate functioning of ROSSETI IT Complex, such as Technical Policy on Telecommunications in ROSSETI and Subsidiaries and Dependent Companies, as well as the Standard "Software of Information and Computation Complex of Energy Accounting System with Remote Data Collection".

In order to ensure transparency of ITT Strategy realization, a score methodology for achieved results has been introduced into the updated "road map": each project has been evaluated in terms of scope of functions that it helps to automate

At the same time calculation of automated functions scope is transparent and uniform for all participants of the process.

ITT operation planning in ROSSETI Subsidiaries and Dependent Companies in 2014 was based on the developed methodology for comparative analysis of specific costs (benchmarking) on certain ITT activities. Activation of work on bottlenecks detected in process of analysis made it possible to cut operation costs by more than 200 M RUR.

In process of ITT Strategy realization the transition to telecommunications services, IT-infrastructure managed in a centralized manner has continued. Such transition is a global practice and makes it possible to create a more efficient ITT structure preserving low level of costs for its maintenance.

In 2015 it is planned to continue realization of the Strategy both in ROSSETI and in its Subsidiaries and Dependent Companies. At the same time the main focus in ITT activities of the ROSSETI Group will be on ensuring reliable operation of ITT systems with account of minimization of costs necessary to develop and operate information technologies and telecommunications.

#### **4. Affordability**

##### **Ensuring affordability of infrastructure and establishment of conditions for economic growth**

##### **Achievements of ROSSETI Subsidiaries and Dependent Companies in the field of network connection in 2014**

Achievement of target parameters determined by the Road Map "Enhancing the Affordability of the Power Infrastructure" - key priority of Subsidiaries and Dependent Companies of the Company in the field of network connection

In accordance with the Strategy of Distribution Grid Development the ROSSETI Group has identified achievement of target parameters identified by the Road Map "Enhancing the Affordability of the Power Infrastructure" approved by the order of the Government of the Russian Federation on June 30, 2012 No.1144-r as the key priority in the field of network connection.

Results of the strategic initiative on power infrastructure affordability are aimed at creation of a favourable business climate in the territory of responsibility of the ROSSETI Group and improvement of quality of technical connection services, such as:

- reduction of timing and stages for connection of applicants' power receivers to power infrastructure facilities,
- reduction of cost of connection to power networks.

In order to execute the directive of the Government of the Russian Federation dated December 12, 2013 No. 7464p-P13, the order of ROSSETI determined that implementation of the plan of actions ("Road Map") "Enhancing the Affordability of the Power Infrastructure" was the priority activity for the ROSSETI Group. Standard documents on network connection have been approved, and actions to improve network connection procedure in ROSSETI Subsidiaries and Dependent Companies have been identified.

The following implemented actions shall be noted as the key ones:

<b>1</b>	<p>Reduced timing for preparation and forwarding of draft network connection agreements has been set, compared to regulatory legal acts (up to 10 days at the norm of 15 days for applicants with maximum capacity of up to 150 kW inclusive and up to 20 days at the norm of 30 days for applicants with maximum capacity from 150 kW to 670 kW, inclusive).</p> <p>According to the 2014 results, in IDGC of Centre, MOESK, IDGC of Volga, IDGC of South, IDGC of Northern Caucasus, TDC in average the actual timing of draft agreement forwarding was below the specified timing norm</p>
<b>2</b>	<p>Reduced necessary number of visits has been set for applicants with maximum capacity of power receivers of up to 150 kW inclusive, to a grid organization of up to three visits, compared to available practice of four</p>
<b>3</b>	<p>Reduced timing of grid organization availability has been set for technical connection of applicants, the maximum capacity of power receivers of which makes from 15 to 150 kW (up to 90 days at the norm from 120 to 180 days).</p> <p>In 2014 considerable results on reduction of timing for performance of actions on network connection agreements were achieved in IDGC of South, IDGC of Northern Caucasus, Tyumenenergo, IDGC of Centre, IDGC of Center and Volga Region</p>
<b>4</b>	<p>The extended list of quantitative parameters of ROSSETI Subsidiaries and Dependent Companies has been approved for realization of actions of the Road Map from 2014 to 2017, including item-by-item synchronization of investment programs of Subsidiaries and Dependent Companies and patterns of network development in constituent entities of the Russian Federation, as well as the share of network connection agreements without capital costs, the share of agreements with untimely fulfilment</p>

The result of actions on power infrastructure affordability in general across the ROSSETI Group was reduction of timing of network connection from the agreement to the act for the category of applicants with the maximum capacity of power receivers of up to 150 kW by 35 % compared to 2013.

Most efficient Subsidiaries and Dependent Companies, where reduction of network connection timing made more than 50%, were IDGC of Volga, IDGC of South, Tyumenenergo, IDGC of Siberia and IDGC of Center and Volga Region

To continue the systemic work of ROSSETI on enhancing power infrastructure affordability, the resolution of the Board of Directors dated December 19, 2014 (minutes dated December 22, 2014 No.174) approved the plan of actions of ROSSETI to achieve key indices in part of network connection necessary to achieve the target rating of Doing Business in 2015 on "connection to a power supply system" parameter.

The plan of actions for 2015 provides for realization of the following parameters:

- execution of agreements with executive authorities of the constituent entities of the Russian Federation on allocation of land for construction of power facilities through a simplified procedure during network connection;
- execution of agreements with power sales companies in the territory of constituent entities of the Russian Federation for performance of inspections of meters by grid companies and distribution of power supply agreements to applicants;
- execution of an agreement with the Federal Environmental Industrial and Nuclear Supervision Service of Russia (Rostekhnadzor) to simplify the procedure of permission of power facilities established in process of network connection;
- performance of works related to network connection of applicants with power plants of 15-150 kW using its own resources.

In order to raise awareness of applicants of existing procedure of network connection, settlements of existing issues (differences) for performance of existing network connection agreements, the Company has planned for the first half of 2015 a series of open meetings with existing and potential applicants, with involvement of public associations and business community organizations, and summarization of open meeting results is planned for June 2015 in the format of panel discussions and round tables.

To involve authorities, representatives of public organizations and experts in the field of power engineering into discussion of relevant issues on power infrastructure affordability and exchange of the best corporate and regional practices, ROSSETI has planned for September 2015 the Third All-Russia Network Connection Forum.

## **Power infrastructure affordability**

The road map on enhancing power infrastructure affordability has set as reference indices of successful realization of legislation reforms in the sphere of network connection for establishment of favourable business climate the rating "Doing Business" of the World Bank with the target reference point - inclusion of Russia into top-20 countries

Within the framework of performance of the Road Map on enhancing power infrastructure affordability, substantial amendments have been realized in 2014 with active participation of ROSSETI representatives as experts in normative regulation of the network connection procedure, as specified in the table below.

#### Regulatory legal acts issued in accordance with the Road Map

Road Map Item	Substance of amendments	NCA
<b>item 9</b>	The obligation of guaranteeing suppliers has been introduced to execute a power supply agreement (power sale and purchase) with consumers before completion of the network connection procedure	Regulation dated February 10, 2014 No. 95
<b>item 11</b>	The procedure of reissue of documents has been introduced to confirm the fact of network connection and appropriate volumes of maximum capacity of the consumer + Standard forms have been approved: Act of Compliance with Technical Conditions, Act of Visual Inspection (Survey) of Power Plant, Act of Network Connection Completion, Act of Balance Delimitation and Act of Operational Responsibility	Regulation dated February 20, 2014 No.130
<b>item 19</b>	The schedule of network connection cost reduction for consumers has been approved (from October 01, 2015 the network connection fee includes 50% of the investment component; since October 01, 2017 the network connection fee does not include any investment component) with compensation of grid organization costs, taken into account within the tariff for power transmission services	No.83-FZ dated October 21, 2014
<b>item 20</b>	The procedure of compensation of lost income compensation to grid organizations related to network connection of consumers has been determined. Instruction to the Federal Tariff Service of Russia to develop and approve the methodology for determination of lost income of a grid organization from network connection activities	Regulation dated June 11, 2014 No.542
<b>item 20</b>	Changes have been introduced into Basic Pricing Principles: the scope of lost income of the grid organization from network connection activities has been specified and detailed	Regulation dated October 29, 2014 No.1116
<b>item 5</b>	It has been established that since March 01, 2015 power transmission lines with voltage class of up to 35 kV, as well as related electric grid facilities, for installation of which a construction permit is not required, may be installed on lands of state and municipal property without allocation of land plots and establishment of servitudes.	Regulation dated December 03, 2014 No.1300
<b>item 37</b>	The procedure of network connection of gardeners' non-commercial partnerships and individual applicants (consumers) in their territory has been identified	
<b>item 39, stage 1</b>	The procedure has been introduced to approve the indirect network connection of previously connected power receivers by the owner with the grid organization	

## Development of Портал-ТП.рф

The main activity enhancing affordability of network connection services in part of reduction of connection stages at the corporate level is optimization of internal business processes, also by development of electronic forms of service via Internet.

The ROSSETI Group within the framework of realization of the Road Map "Enhancing Power Infrastructure Affordability" has established the electronic consumer support resource - ПИОТАЖИ-ТТ.рф.

Official websites of Subsidiaries and Dependent Companies and their branches include interactive support, the main tools of which are the Internet Reception Desk and My Account. The number of applications via electronic form through Internet in 2013 was 24 K, which is twice more than the identical parameter of the previous period.

The following electronic services are realized at ПИОТАЖИ-ТТ.РФ, which make it possible to consumers to efficiently receive the necessary information on network connection procedure, including:

<b>Information availability</b>	<ul style="list-style-type: none"><li>• receiving information on amendments to legislation, main events</li><li>• receiving information on network connection procedure</li><li>• standard forms of documents</li><li>• receiving analytical information on power systems of regions</li><li>• disclosure of information on business of ROSSETI Subsidiaries and Dependent Companies</li></ul>
<b>Feedback</b>	<ul style="list-style-type: none"><li>• receiving information on contact data of all ROSSETI Subsidiaries and Dependent Companies</li><li>• option to send a request in electronic form with a proposal or a complaint in "Feedback" section</li></ul>
<b>My Account</b>	<ul style="list-style-type: none"><li>• submission of applications for network connection with progress tracking;</li><li>• submission of applications for power redistribution</li></ul>
<b>Network Connection Cost Calculator</b>	<ul style="list-style-type: none"><li>• calculation of network connection cost in all constituent entities of the Russian Federation served by the ROSSETI Subsidiaries and Dependent Companies</li></ul>
<b>Necessary Power Calculator</b>	<ul style="list-style-type: none"><li>• calculation of necessary power when submitting a network connection application</li></ul>

Further development of electronic support services at the Customer Care Portal (портал-тп.рф) is implemented in accordance with the requirements of the Uniform Customer Service Quality Standards approved by the order of the Ministry of Energy of the Russian Federation dated April 15, 2014 No.186, including expansion of My Account functionality, synchronization with My Accounts of lower level websites, development of an engineering calculator of connection cost, expansion of geographical coverage of the interactive map of supply centers of independent TGOs.

## Improvement of service quality, provision of consumer satisfaction

### Customer Care

In ROSSETI in 2014 the resolution of the Board of Directors dated June 17, 2014 (minutes dated June 20, 2014 No.158) approved the Policy on Society, Customer, and Government Relations of ROSSETI.

The Policy on Society, Customer, and Government Relations as the target reference point of consumer relations has identified introduction of a customer-oriented approach into business of grid organizations and raising trust of consumers

The main objective of the client-oriented approach is establishment of loyalty of service consumers to the organization due to affordability of services, quality care of customers and satisfaction of their short- and long-term needs.

**The Policy on Society, Customer, and Government Relations of ROSSETI determines the following guiding principles:**

- **Provision of services quality and affordability**  
in accordance with the existing legislation of the Russian Federation
- **Sufficient awareness of consumers about the company and services**  
This principle prevents the need of consumer applying to the Company for reference information and consultations, and as a rule, transaction costs of the company
- **Territorial affordability and comfortable conditions of on-site service**  
Location of infrastructural elements of on-site service (customer service offices) provides for coverage of the area of responsibility of Subsidiaries and Dependent Companies and availability of service to customers
- **Affordability and efficiency of remote and electronic service**  
Electronic (interactive) service in Internet has convenient and high-speed access, interactive service interface and tools are ergonomic and user-friendly for consumers
- **Qualified service**  
Organization of all forms of service provides for high level of qualification and competence of company's service personnel
- **Transparency of business processes of customer care and impartiality in consideration of consumer complaints**  
Business processes of customer service are formalized, described and transparent to ensure controllability and manageability of procedures of interaction with consumers

□ The Policy on Society, Customer, and Government Relations of ROSSETI can be found on the corporate website at [http://www.rosseti.ru/clients/centers/policy/index.php?sphrase\\_id=115302](http://www.rosseti.ru/clients/centers/policy/index.php?sphrase_id=115302)

ROSSETI pays a lot of attention to enhancing affordability of network connection and creation of comfortable conditions for consumers, providing for development of complex service and introduction of new technologies. With this purpose they upgrade and equip the Customer Service Centers with state-of-the-art equipment, such as electronic queues, terminals for payment of services and self-service information terminals.

Currently the ROSSETI Group according to the Uniform Customer Service Quality Standards of grid organizations approved by the order of the Ministry of Energy of Russia dated April 15, 2014 No.186, actions are implemented to bring the customer service offices and their classification in compliance with the approved requirements.

As of the end of 2014 in the territory of service of the ROSSETI Group 986 service offices were functioning, out of them 300 were customer service centers, others - service stations opened on the basis of territorial subdivisions of Subsidiaries and Dependent Companies

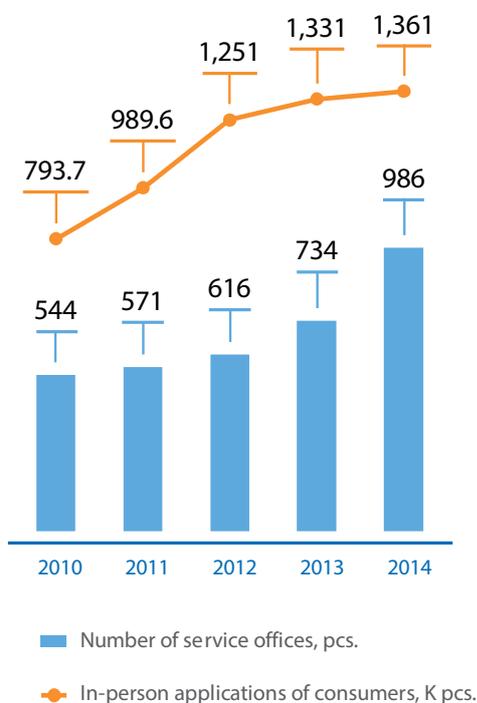
In administrative centers of constituent entities of the Russian Federation within the territory of responsibility of the Group the on-site service is carried out in 69 customer service centers of enhanced comfort.

In 2014 services offices were created and opened after upgrade i Moscow, Troitsk (New Moscow), Sochi, Sovetsk (Kaliningrad region), Kashira (Moscow region), Revda (Sverdlovsk region) and Anapa (Krasnoyarsk Territory). On sites of customer service centers the consumer may submit an application for services, also for network connection, receive reference information and consultation on issues of network connection, power transmission and fiscal metering of power, leave a claim (complaint), receive information on activity of other power companies of the region.

In 2014 1.36 M people applied in person to the service offices of the ROSSETI Group, which is by 2% higher than the parameter of 2013

This growth first of all depends on enhanced territorial affordability and quality of on-site service for public in regions of ROSSETI Group service.

#### Dynamics of opening of on-site service offices and number of in-person applications



Remote customer service by phone in the ROSSETI Group is carried out mainly through common numbers of telephone centers of Subsidiaries and Dependent Companies and telephones of operative dispatching services of Subsidiaries and Dependent Companies.

The main tasks of the telephone centers are to receive and process incoming calls from service consumers on all issues of business of Subsidiaries and Dependent Companies, as well as address notification of consumers.

To minimize effects of process failures and efficient notification of public on time of emergency recovery works, especially in autumn and winter period, hotlines have been opened.

Following the current trends of Internet technology use, enterprises of the ROSSETI Group pay a lot of attention to development of a uniform Internet portal for customer service and electronic customer care services on websites of Subsidiaries and Dependent Companies, therefore the number of applications in

electronic form through Internet in 2014 was 44.7 K, which is almost twice more than the identical parameter of the previous year.

For the last 4 years the annual growth of electronic applications via Internet is 90% in average.

The growth of applications was influenced by a combination of such factors as annual growth of Internet audience, especially its active part, spread of mobile and broadband Internet, affordability and convenience of services of the ROSSETI Group.

Through all channels of interaction with consumers in 2014 the ROSSETI Group received 3.5 M applications, , which is 18% lower than the parameter of 2013

The factor analysis of applications shows that reduction is due to fewer complaints about poor quality of services (by 26%) and consultations (by 11.5%). The available trend confirms efficiency of implemented actions to improve quality and affordability of services, as well as information openness of the ROSSETI Group business for consumers.

#### Dynamics of applications





## Prospects for Development

In December 2014, the Board of Directors approved the Long-Term Development Program of ROSSETI, an internal policy document covering the period from 2015 to 2019

The Long-Term Development Program of ROSSETI is formulated in accordance with the Russian President's instructions and the Recommended Guidelines for Developing the Long-Term Development Programs issued by the Ministry of Economic Development of the Russian Federation.

The Long-Term Development Program is an internal policy document covering the period from 2015 to 2019 and containing the lists of mechanisms and measures to ensure the achievement of ROSSETI's strategic goals.

The approved Long-Term Development Program of ROSSETI contains the Russian Government's requirements relating to workforce productivity growth and labor resource availability.

To perform the strategic tasks assigned by the Government to ROSSETI, aware of current trends and challenges in the electric grid sector, ROSSETI has set aims and objectives for itself in the following main areas:

1. Secure a reliable and uninterrupted power supply and ensure energy security
2. Improve service quality and increase customer satisfaction
3. Maintain the accessibility of infrastructure and create the conditions for economic growth
4. Enhance the operating efficiency of electric grids as related to:
  - Operating activities.
  - Investing activities.
  - Energy efficiency.
  - Import substitution.
  - Innovative development.
  - Environmental security.
  - Institutional transformations improving the efficiency of the electric grid sector as a whole.
  - Anti-corrupt practices.
  - Internal control, risk management, and internal audit.
5. Keep a balance between the interests of different key stakeholders as related to:
  - Corporate governance and shareholder/investor relations.
  - Dividend policy.
  - Financial stability.
  - Improvements to the tariff policy.

The Company's Long-Term Development Program is intended to ensure the achievement of the targets set by the Strategy for Development of the Electric Grid Sector of the Russian Federation with due consideration to ROSSETI's authority and the current economic situation.

The instrument for implementing the Long-Term Development Program is ROSSETI's schedule for implementing the Long-Term Development Program for 2015.

The areas of ROSSETI's development in the long run are determined by the provisions of the Strategy for Development and by the priority of securing a reliable and high-quality power supply.

Areas of Development	Principal Goals*
<b>In the area of securing the reliable and high-quality provision of services</b>	<ul style="list-style-type: none"> <li>• ensure that grid SDCs attain the prescribed reliability and quality indicators of services</li> <li>• carry out the Action Plan (Road Map) “Enhancing the Affordability of the Power Infrastructure” under Ordinance of the Government of the Russian Federation No. 1144-r of June 30, 2012</li> </ul>
<b>In the area of improving the operating efficiency</b>	<ul style="list-style-type: none"> <li>• reduce operating expenses by 15% (adjusted for inflation) compared with 2012 (in rubles per unit of maintained electrical equipment)</li> </ul>
<b>In the area of optimizing investing activities</b>	<ul style="list-style-type: none"> <li>• implement the principles of efficiency, transparency, and balance of the investment process</li> <li>• increase investment efficiency by an average of 30% against 2012 (in rubles per physical unit: kilometers, MVA)</li> </ul>
<b>In the area of enhancing energy conservation and energy efficiency</b>	<ul style="list-style-type: none"> <li>• reduce electricity losses by 11% compared with 2012 by 2017</li> </ul>

\* Due to the current macroeconomic situation, these indicators are subject to adjustment

Another priority is to maintain integrated security at the necessary level, taking account of terrorism threats and the risk of economic damage.

ROSSETI makes use of comprehensive business planning to effectively reach the goals. The key indicators of the approved business plans in the medium term are linked to the Company’s objectives of ensuring the achievement of the targets.

For example, in the case of financing activities, the current objective is to ensure the stable current, medium-term, and long-term liquidity and financial soundness of both ROSSETI and each of its SDCs.

In addition, ROSSETI takes an active part in the preparation of proposals for draft regulations to implement the Strategy for Development.

The instrument for implementing the Strategy for Development is the Long-Term Development Program of ROSSETI approved in December 2014. The Program contains the lists of mechanisms and measures to ensure the achievement of ROSSETI’s strategic goals in 2015–2019.

#### **Development programs implemented by ROSSETI and planned for implementation under the Long-Term Development Program:**

- Consolidated Investment Program for 2015 and 2016–2020
- Innovative development programs of ROSSETI for distribution and transmission grids:
  - Innovative Development Program for 2011–2016 (Minutes of the Meeting of the Board of Directors No. 61 of June 20, 2011), adjusted Program (Minutes of the Meeting of the Board of Directors No. 101 of November 30, 2012) implemented by ROSSETI's subsidiaries and dependent companies (interregional distribution grid companies)
  - Innovative Development Program for transmission grids (approved by the Board of Directors of FGC UES (Minutes of the Meeting No. 128 of April 7, 2011), adjusted in 2012, and approved by the Management Board of FGC UES), formulated and implemented by FGC UES
- Draft of the Innovative Development Program of ROSSETI for 2014–2018 with Long-Term Plans Until 2020
- Comprehensive Import Substitution Program of ROSSETI (subject to review by the Board of Directors in the 1st half of 2015; intended to become a key instrument for implementing ROSSETI's long-term development program)

At ROSSETI SDCs' level, the provisions of the Strategy for Development are detailed in the Comprehensive Development Programs for Electricity Networks of 35 kV and Above for Russian regions for a period of five years (CDPs). The Programs are prepared in accordance with ROSSETI's Order No. 727 of December 29, 2013, "On Planning the Development of Electric Grids."

#### **Innovative Development Program**

After ROSSETI, a holding company uniting interregional distribution grid companies, transmission grids, and some other of the industry's assets, was established in 2013 (under Decree of the President of the Russian Federation No. 1567 of November 22, 2012, "On Joint Stock Company ROSSETI"), the objective of coordinating ROSSETI SDCs' innovation activities as one of the conditions for achieving the Company's goals and objectives became more relevant.

The first result of measures to draw up new corporate strategic and policy documents relating to innovative development was the formulation of the Innovative Development, Energy Conservation, and Energy Efficiency Enhancement Policy of ROSSETI (approved by the Board of Directors of the Company; Minutes of the Meeting No. 150 of April 23, 2014), defining the adjusted goals, objectives, principles, priorities, approaches, and parameters of planning and carrying out the innovation activities of the Company and its SDCs.

The approval of the Policy necessitated formulating the new uniform Innovative Development Program of ROSSETI. The drafted Innovative Development Program of ROSSETI for 2014–2018 with long-term plans until 2020 (hereinafter, the "Program") mapped out ROSSETI's innovation measures for 2014–2019 with long-term plans until 2020 to ensure the Company's focus on innovation in the long run.

**The Program's goal set out in the Strategy for Development of the Electric Grid Sector of the Russian Federation is the transition to a technologically new grid with qualitatively new characteristics of reliability, efficiency, accessibility, manageability and customer-orientedness in the Russian electric grid sector as a whole (Smart Grid)**

In order for the Program's goal to be achieved, the following main objectives were set:

- achieve worldwide average indicators of power supply reliability, safety, quality, efficiency, and accessibility by introducing new equipment, processes, and practices;

- increase ROSSETI's customer-orientedness by improving existing and creating new services, including high-technology services;
- develop, test, and support the conditions for the commercialization of innovative equipment and practices with due regard to the factors of comprehensive efficiency and in accordance with the principles of lifecycle management for facilities and systems;
- improve the system of interaction with the industry's innovators: small and medium-sized businesses, higher education institutions, research establishments, leading domestic and foreign manufacturers of equipment, etc.;
- improve the innovation management system, including setting up the R & D Foundation and building the intellectual property management system;
- use a new technological and methodological basis to increase the operating efficiency of the Company and its SDCs;
- form the personnel potential with promising competencies to ensure the achievement of the Company's and its SDCs' objectives of innovative development;
- create the conditions for developing promising scientific studies, engineering efforts, and advanced production processes in Russia;
- reduce the adverse environmental impact of electric grid facilities.

Special indicators will be used to evaluate the effectiveness of carrying out the Innovative Development Program of ROSSETI, namely the Program's key performance indicators divided into two groups:

- production indicators reflecting the economic and production effects of the Company' and its SDCs' innovation activities;
- innovation indicators characterizing the efficiency and qualitative characteristics of corporate innovation processes and activities.

### **Consolidated Capital Investment Program for 2015 and 2016–2020**

Pursuant to the instructions issued by Russian President Vladimir Putin in relation to the improvement of the operating efficiency of government-linked companies and under the approved Long-Term Development Program, which provides for the improvement of investment and operating efficiency, the Board of Directors of ROSSETI considered the adjusted capex program of subsidiaries and dependent companies for the period until 2020.

The draft capex programs of ROSSETI SDCs for the period until 2020 are optimized, taking into account the current economic conditions and macroeconomic environment, which are characterized by the following factors:

- an increase in expected inflation in 2015;
- higher current debt service costs;
- limited access to long-term loans;
- a forecasted growth in nonpayments and a deterioration in payment discipline across the ROSSETI Group;
- a forecasted decline in consumption;
- higher costs of imported and domestic equipment and services.

The capex programs were optimized in accordance with the capex program scenarios including the conditions and the system of criteria and priorities for the inclusion of projects in capital investment programs:

1. Measures to remedy the consequences of accidents at electric grid facilities;
2. Measures to improve reliability to secure an uninterrupted power supply for facilities (measures to reduce the risk of power outages in high-risk areas, measures to prepare electric grid facilities in the heat

deficit period, compliance with orders issued by executive authorities, measures to remedy potential emergency situations, etc.);

3. Network connection services on preferential terms, the fulfillment of mutual obligations of ROSSETI SDCs, and measures to support the delivery of generation facilities' capacity in the case of generation facilities that will supply capacity under capacity delivery contracts;

4. Programs aimed at improving the operating reliability of the electric grid sector (Modernization Program for Relay Protection Devices and Systems, Development Program for Telemetry and Telecommunication Systems, the installation of devices for voltage regulation and reactive power compensation, R&D, etc.);

5. Facilities with a high degree of preparedness;

6. Renewal of electric grid facilities with an expired standard operating life;

7. Measurement of the volume of provided electricity distribution services;

8. Network connection services except for network connection services on preferential terms and measures to support the delivery of generation facilities' capacity in the case of generation facilities that will supply capacity under capacity delivery contracts.

### **Development of the Comprehensive Development Programs for Electricity Networks**

In 2014 and early 2015, ROSSETI SDCs developed the Comprehensive Development Programs for Electricity Networks of 35 kV and Above for constituent entities of the Russian Federation for a period of five years (CDPs). It was necessary to formulate the CDPs due to the following:

1. In accordance with Resolution of the Government of the Russian Federation No. 823 of October 17, 2009, the long-term plans to develop the electric power industry at regional level, including electricity networks, are determined by the Long-Term Development Schemes and Programs for the Electric Power Industry for Russian regions for a period of five years (hereinafter, the "Regional Schemes"). The Regional Schemes are ordered and approved by regional governments. The quality and extent of the elaboration of the issues related to electricity networks' development in the Regional Schemes remain unsatisfactory. For instance, the Regional Schemes in some constituent entities of the Russian Federation are descriptive in nature; their conclusions and recommendations are not supported by calculations of electric modes and, consequently, have no technical justification. The Regional Schemes that cover a wide range of aspects, devoting only one of their sections to electricity networks' development, deal in detail only with selected electric grid facilities.

If the prepared CDPs are submitted to regional governments as technical justification, this will raise to a qualitatively new level the formulation of the section of the Regional Schemes about the development of electric grid facilities

2. The Regional Schemes fail to deal with a complete list of electric grid facilities rated 35 kV and above; in some cases, the necessary calculations are not contained in the Regional Schemes, which does not provide sufficient technical justification for the construction or extension of electric grid facilities that are recommended for inclusion in a capex program.

The calculations made in the CDPs will provide technical justification for the inclusion of distribution grid facilities in capex programs, increase the efficiency and utilization rates of newly commissioned equipment, and synchronize the development of transmission and distribution grids

3. The development of territorial planning schemes at regional level is not consistent with the development of electricity sector entities' capex programs.

If the CDPs with updated information on the development of electric grid facilities are annually submitted to regional governments, this will make it possible to use these materials for the adjustment of the territorial planning schemes of constituent entities of the Russian Federation, municipalities, and populated places and the general layouts of urban districts as related to reserving land for electricity networks

ROSSETI has plans to continue in 2015 to prepare ROSSETI SDCs' CDPs on an annual basis and intends to sign the Cooperation Agreement with SO UPS. The Cooperation Agreement will include the model schedule of cooperation between SO UPS (branches) and ROSSETI (SDCs' branches, SDCs) in preparing the CDPs and agreeing on development schemes and programs for the electric power industry for Russian regions for a period of five years.

ROSSETI SDCs drew up the Comprehensive Development Programs for Electricity Networks of 35 kV and Above for Russian regions

### **Common Treasury**

In 2014, ROSSETI worked toward the centralization and automation of subsidiaries' and dependent companies' treasury functions and their integration into the ROSSETI Group's common treasury in accordance with Instructions of the President of the Russian Federation No. PR-1032 of May 7, 2014, and Directive of the Government of the Russian Federation No. 5110p-P13RF of August 8, 2014.

The Board of Directors of ROSSETI resolved to regard setting up the Company's common treasury as a priority for ROSSETI's activities

### **Priorities**

In accordance with the Strategy for Development, the principal goal of the electric grid sector's operation is to secure a reliable, high-quality, and affordable power supply in the long term.

A priority in the current macroeconomic situation is to unconditionally secure a reliable and uninterrupted power supply for all categories of customers and accessibility. Outstripping development will take into account the accessibility of infrastructure, tariff-based revenues, and the possibilities of borrowing.

Amid limited investment resources and reduced capital investment programs, the main task is to find the right balance between the need to retain and stabilize the level of physical deterioration and the fulfillment of obligations related to network connection and development.

ROSSETI is involved in developing measures to reduce the dependence of the Russian fuel and energy sector on imported equipment, technical devices, and component parts.

Our priorities include the tasks of bringing down commercial losses, improving payment discipline, and consolidating electric grid assets to reduce the fragmentation of territorial grid organizations and stiffen control over them within a united government-linked company.

A significant strategic advantage and strength is the ROSSETI team's huge experience of many years and the available personnel potential ensuring the effective fulfillment of the tasks.



## KPI Attainment

The accomplishment of ROSSETI's priority goals of development is evaluated by the Company's system of key performance indicators (KPIs).

Since 2014, the Company has made substantial changes to its KPI system in order to align it with the priorities defined by the Strategy for Development of the Electric Grid Sector of the Russian Federation approved by Ordinance of the Government of the Russian Federation No. 511-r of April 3, 2013, interlink KPIs with the goals of the Company's Long-Term Development Program, meet the requirements set forth in the Guidelines for KPIs Applied by Government-Linked Companies, State Unitary Enterprises, and Economic Entities in the Authorized Capital of Which the Russian Federation or a Constituent Entity of the Russian Federation Holds a Stake Exceeding an Aggregate of 50%, and carry out specific instructions issued by the Russian Government.

As resolved by the Board of Directors of ROSSETI (Minutes of the Meeting No. 170 of November 20, 2014 and No. 174 of December 25, 2014), introducing the Workforce Productivity Indicator into the KPI system in accordance with Directive of the Government of the Russian Federation No. 7389-p-P13 of October 31, 2014, the following key performance indicators and their target values were prescribed for 2014:

Quarterly Indicators	Target Value in 2014
Reliability indicator	Attained
- maximum number of accidents (distribution grid companies)	≤ 7
- nonoccurrence of large accidents (FGC UES)	0
No growth of casualties	No growth
Financial soundness indicator: debt-to-equity ratio	≤ 1.5 or the value specified in SDCs' business plans

Annual Indicators	Target Value in 2014
Indicative indicator: Total shareholder return (TSR)	≥ average MICEX PWR Index or the actual value for the last three years
Return on invested capital (ROIC)	≥ 0.9
Reduction of purchase costs related to goods (work, services)	≥ 10%
Reduction of operating expenses	≥ 5%
Electricity losses	≤ 9.63%
Achieved reliability of services	≤ 1
Reduction of specific investment costs	≥ 6%
Compliance with commissioning schedules	≥ 90%
Compliance with network connection deadlines	≤ 1
Indicative indicator: Workforce productivity indicator	≥ target value specified in the Company's Long-Term Development Program

The target values of all key performance indicators were attained in 2014, there were no negative deviations in the actually attained KPIs, the attained target values accounted for at least 100% of the plan

The KPI values for 2015 and thereafter are set forth in the Long-Term Development Program of ROSSETI, including the values required to achieve the targets set by the Strategy for Development of the Electric Grid Sector of the Russian Federation (Ordinance of the Government of the Russian Federation No. 511-r of April 3, 2013) with respect to reducing specific operating expenses by at least 15% against 2012 by 2017, reducing specific investment costs by at least 30%, and reducing electricity losses by 11% against 2012.

The Company's system of key performance indicators is interlinked with the variable component of management's remuneration: each indicator is assigned a specific weight in the bonus pool, and quarterly and annual bonuses are paid if the corresponding KPIs are attained.



## OPERATING RESULTS

### Roman Berdnikov

First Deputy Director General for Technical Policy, ROSSETI:

The key priorities of the Technical Division of ROSSETI include reliable and high-quality electricity supply to consumers, further formation of the necessary technological base in order to reduce the number of accidents and improve the conditions for connection to networks of subsidiaries and dependent companies, including for representatives of the small and medium businesses, and the agribusiness industry.

In 2014, the Innovative Development, Energy Conservation, and Energy Efficiency Enhancement Policy of JSC ROSSETI developed to achieve the long-term target values for the specified activity areas was implemented in addition to the Uniform Technical Policy in the group of companies. Implementation of the provisions of the document will allow enhancing the efficiency of the public economy on the whole.

Pursuant to the instructions of the Government of the Russian Federation, ROSSETI continues implementing the strategic investment project – setting up the Federal Testing Center (FTC) in St. Petersburg. The center will allow creating new jobs. The FTC will hold the entire list of qualification tests meeting the international standards of new equipment or equipment under development for the electric grid sector. Testing methods, standards and specifications will be developed on the basis of the FTC. It is also planned to open a personnel training center.

In 2015, ROSSETI will continue achieving the strategic target values for reliability, increasing the client-centeredness level, improving the network connection organization system. It will also continue interaction with public authorities of the constituents of the Russian Federation in order to improve the level of synchronization of development programs for the electric grid sector with the regional social and economic development programs.

## Electricity Distribution

Subsidiaries and dependent companies of ROSSETI ensure electricity transmission and distribution in the regions where they operate and are responsible for reliable and uninterrupted power supply to consumers and meeting the reliability and quality standards in accordance with the global standards.

### Production Results of ROSSETI SDCs\* for 2014

SDC name	Volume of electric power supply to the grids, in millions of kW*h	Volume of electric power losses, in millions of kW*h	Level of electric power losses, in %
IDGC of Centre	64,175.5	5,949.2	9.27
IDGC of Center and Volga Region	55,004.0	5,076.9	9.23
IDGC of Volga	54,931.5	3,638.4	6.62
IDGC of North-West	39,715.0	2,547.1	6.41
IDGC of Siberia	74,766.2	5,668.8	7.58
TDC	6,050.2	511.9	8.46
IDGC of Urals	79,770.1	6,240.6	7.82
IDGC of South	29,525.8	2,745.3	9.30
IDGC of Northern Caucasus	18,058.7	3,572.8	19.78
Chechenenergo	2,533.3	944.8	37.29
Kubanenergo	21,572.7	2,852.7	13.22
MOESK	88,764.9	7,784.6	8.77
LENENERGO	34,208.4	3,791.5	11.08
Tyumenenergo	73,403.2	1,868.2	2.55
Yantarenergo	4,198.4	776.0	18.48
<b>Total for electricity distribution sector</b>	<b>646,678.0</b>	<b>53,968.9</b>	<b>8.35</b>
FGC UES**	536,510.65	21261.0832	4.13
<b>Total for ROSSETI SDCs***</b>	<b>790,534.6</b>	<b>75,229.96</b>	<b>9.52</b>

\* The data related to ROSSETI on the whole take into account operating results of subsidiaries and dependent companies of ROSSETI SDCs involved in electricity distribution.

\*\* The level of electric power losses for FGC UES is calculated on the basis of the electric power volume transmitted from the grids of FGC UES to the electric grids of service consumers

\*\*\* The resulting data related to ROSSETI on the whole are calculated subject to the net power flow from the electric grids of FGC UES to the electric grids of distribution subsidiaries and dependent companies of ROSSETI

According to the results of 2014 on the whole for the ROSSETI Group of Companies, as compared to the results for 2013, the volume of electric power losses reduced by 1,056.4 million kW\*h, the level of electric power losses reduced by 0.14 percent, in the conditions compared to the conditions in 2013 by 2,041 million kW\*h, the level of losses reduced by 0.23 percent

## Changes in Proceeds for the Electricity Distribution Services

On the basis of the results for 2014, ROSSETI SDCs increased proceeds by 5.2% to 760.2 billion rubles as compared to 2013.

SDC name	2013		2014		Deviation (in comparable conditions)*	
	in electricity distribution services contracts	“internal service” included in supplied electricity value	in electricity distribution services contracts	“internal service” included in supplied electricity value	in millions of rubles	%
IDGC of Centre	61,396	13,785	69,151	6,753	723	1.0
IDGC of Center and Volga Region	61,225	5,188	65,113	586	-715	-1.1
IDGC of Volga	39,968	3,598	45,244	-	1,678	3.9
IDGC of North-West	29,650	1,919	31,343	1,416	1,190	3.8
IDGC of Siberia	49,771	3,837	50,545	1,452	-1,610	-3.0
TDC	6,469	-	7,103	-	634	9.8
IDGC of Urals	55,258	-	57,481	-	2,223	4.0
IDGC of South	25,882	-	28,009	-	2,128	8.2
IDGC of Northern Caucasus	11,152	-	12,281	-	1,129	10.1
Chechenenergo**	402	-	2,065	-	1,663	413.8
Kubanenergo	30,505	-	28,464	-	-2,041	-6.7
MOESK	110,981	-	112,509	-	1,528	1.4
LENENERGO	33,207	-	36,261	-	3,054	9.2
Tyumenenergo	50,638	-	50,895	-	257	0.5
Yantarenergo	3,408	-	3,804	-	396	11.6
<b>Total for electricity distribution sector</b>	<b>569,910</b>	<b>28,328</b>	<b>600,269</b>	<b>10,207</b>	<b>12,238</b>	<b>2.0</b>
FGC UES	152,709	-	159,881	-	7,172	4.7
<b>TOTAL for ROSSETI SDCs</b>	<b>722,620</b>	<b>28,328</b>	<b>760,150</b>	<b>10,207</b>	<b>19,410</b>	<b>2.6</b>

\* For ROSSETI SDCs performing the functions of the guaranteeing supplier in 2013 and 2014 the changes in proceeds, for correct comparison purposes, are reflected subject to the “internal service” value included in the supplied electricity value

\*\* Chechenenergo started production from October 1, 2013

## Consolidation of Electric Grid Assets

Providing the electricity transmission and distribution service, ROSSETI subsidiaries, alongside with their grids, use electric grids leased and received for free use. Moreover, electric grid assets are consolidated on a yearly basis, which provides for receipt of title to electric grids by ROSSETI subsidiaries, for the purposes of reducing the fragmentation of territorial grid organizations and enhancing control over them, expanding the service area and providing access to the electric grid infrastructure for consumers.

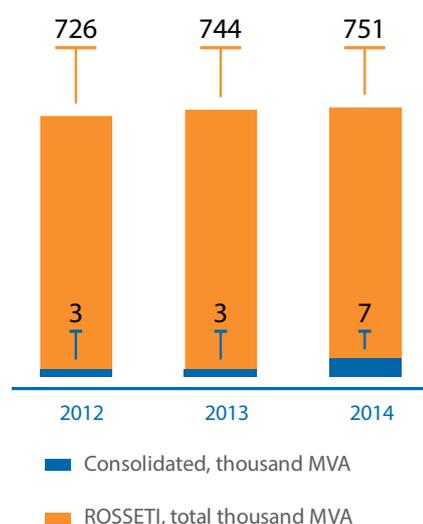
In 2014, the ROSSETI Group of Companies acquired title to 1.8 thousand km of power lines and 948 MVA of transformer capacity, 24.4 thousand km of power lines and 5.46 thousand MVA of transformer capacity were leased. The percentage of grids leased in 2014 was 2.12% as related to the total volume of electric grid facilities (in conventional units) operated by ROSSETI subsidiaries.

## Consolidation Results of the ROSSETI Group of Companies

Power Lines, thousand km



Transformer capacity, thousand MVA



Taking into account the limited number of financing sources for costs of acquiring electric grid property, one of the most important mechanisms of achievement of the strategic goals of reducing the number of territorial grid organizations and consolidating electric grid assets is close cooperation with regional executive authorities providing for systematic revealing and accounting of ownerless electric grid property, reducing receivables of corporate debtors for electricity distribution services by entering into lease agreements or purchasing property and consolidating republican and municipal grid property under management of the ROSSETI subsidiaries. In 2014, road maps for consolidation of electric grid assets were signed and implemented:

- with the Republic of Ingushetia – dated August 28, 2014,
- with the Republic of Dagestan – dated August 28, 2014,
- with the Republic of North Ossetia – Alania – dated August 28, 2014,
- with the Kabardino-Balkarian Republic – dated August 01, 2014,
- with the Karachayevo-Cherkessian Republic – dated July 25, 2014,
- with the Vladimir Region – dated April 02, 2014.



## Network Connection

Network connection is one of the key regulated services provided by the ROSSETI Group of Companies and a set of events designed to make it technically feasible to consume (supply) electricity (capacity).

Network connection is actual connection of power-receiving equipment of electricity consumers, power generation facilities, and electric grid facilities owned by grid organizations and other persons to networks of grid organizations.

The network connection service is provided to applicants in the following cases:

- when power-receiving equipment initially put into operation is connected;
- when earlier connected capacity of earlier connected reconstructed power-receiving equipment is increased;
- when the reliability category of electric power supply, connection point, production activity types not involving any review of the connected capacity value but changing the external electric power supply diagram of earlier connected power-receiving equipment are changed.

Network connection of power-receiving equipment is done using the temporary or permanent electric power supply diagram.

### Network Connection Stages



#### Documents governing network connection to electric grids of grid organizations:

- Federal Law No. 35-FZ of March 26, 2003, "On the Electric Power Industry";
- Rules of Network Connection of Power-Receiving Equipment of Electricity Consumers, Power Generation Facilities, and Electric Grid Facilities Owned by Grid Organizations and Other Persons to Networks approved by Resolution of the Government of the Russian Federation No. 861 of December 27, 2004;
- Resolution of the Government of the Russian Federation No. 1178 of December 29, 2011, "On Pricing in the Area of Regulated Prices (Tariffs) in the Electric Power Industry";
- Resolution of the Government of the Russian Federation No. 24 of January 21, 2004, "On the Approval of the Standards of Disclosure by Wholesale and Retail Electricity Market Entities."

The Federal Antimonopoly Service of the Russian Federation is the authorized federal executive body exercising functions of adopting regulations, control and supervision over compliance with the laws on competition and activities of natural monopoly holders.

The key activity areas of the Federal Antimonopoly Service of the Russian Federation cover, without limitation, control over compliance with the applicable laws and activities of electric grid companies when providing network connection services. The Federal Antimonopoly Service of the Russian Federation closely coordinates its work with the Federal Tariff Service of the Russian Federation.

### Changes in the Network Connection Volume

In 2014, ROSSETI SDCs received 488,324 network connection requests for power-receiving equipment of individual customers and power generation facilities for total capacity of 52,022 MW.

**488,324** requests      **52,022** MW

The number of network connection requests submitted in 2014 increased by 2% on 2013, while requested capacity for 2014 was 5% down as compared to 2013.

**Number of submitted requests**  
2014/2013

**+2%**

**Requested capacity volume**  
2014/2013

**-5%**

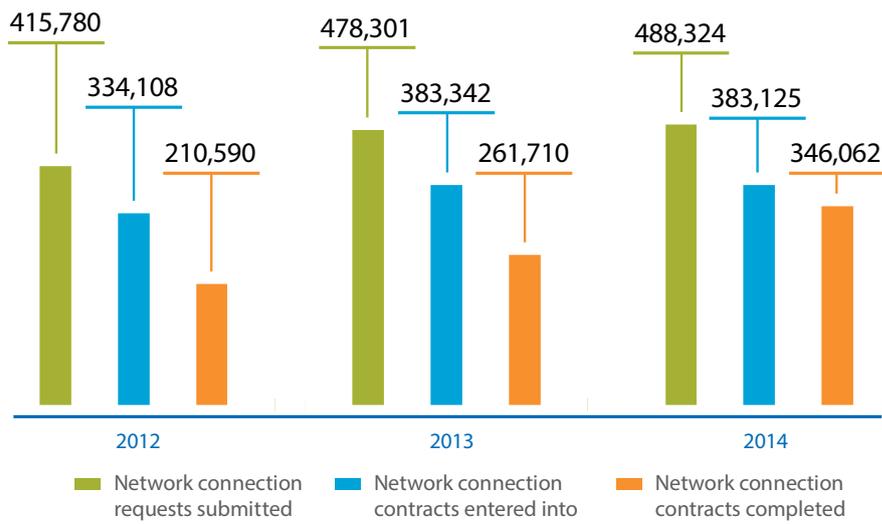
In 2013, ROSSETI SDCs entered into 383,125 network connection contracts for power-receiving equipment of individual customers and power generation facilities for total capacity of 20,468 MW. The number of network connection contracts entered into in 2014 did not change as compared to 2013 with a reduction of 33% in capacity (MW).

The actual number of signed network connection certificates was 346,062 for total capacity of 17,246 MW. The number of network connection contracts completed in 2014 went up by 32% as compared to 2013. Capacity (MW) reduced by 12%.

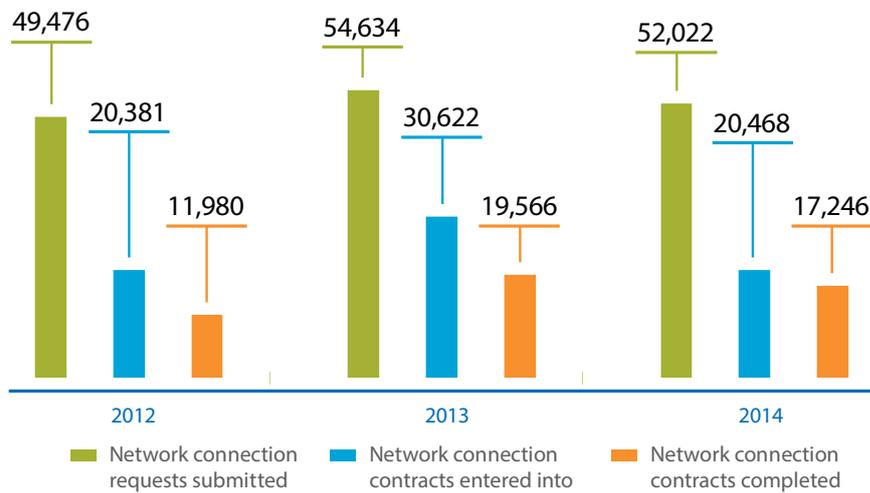
**Number of completed network connection contracts**  
2014/2013

**+32%**

### Changes in the Network Connection Volume, pcs.



### Changes in the Network Connection Volume, MW



## Network Connection of Power-Receiving Equipment of Consumers in 2014<sup>1</sup>

SDC name	Number of network connection requests		Network connection contracts entered into		Network connection certificates signed	
	pcs.	MW <sup>2</sup>	pcs.	MW	pcs.	MW
IDGC of Centre	62,558	2,898	52,022	1,368	50,304	1,109
LENENERGO	35,877	4,548	16,749	614	14,767	529
MOESK	92,732	7,737	67,479	3,729	57,496	2,039
IDGC of Volga	19,394	1,932	21,781	722	24,885	519
Yantarenergo	5,738	573	4,801	160	2,767	61
IDGC of South	19,982	1,780	16,283	534	14,674	376
Kubanenergo	36,695	1,475	29,532	591	16,785	351
IDGC of Northern Caucasus	8,316	425	7,831	268	6,879	180
Tyumenenergo	6,391	958	5,523	835	4,568	341
IDGC of Siberia	44,286	2,730	35,231	1,225	36,119	731
TDC	3,570	93	3,207	83	2,977	77
IDGC of North-West	31,995	1,508	26,136	643	25,558	464
IDGC of Urals	38,465	2,369	30,161	955	34,590	850
IDGC of Center and Volga Region	66,231	3,486	54,616	1,596	45,667	1,017
Other <sup>3</sup>	15,434	1,799	11,498	752	7,722	291
<b>Total for electricity distribution sector</b>	<b>487,664</b>	<b>34,312</b>	<b>382,850</b>	<b>14,076</b>	<b>345,758</b>	<b>8,934</b>
FGC UES	518	10,404	212	3,695	264	3,768
<b>TOTAL for ROSSETI SDCs</b>	<b>488,182</b>	<b>44,716</b>	<b>383,062</b>	<b>17,771</b>	<b>346,022</b>	<b>12,702</b>

## Network Connection of Power Generation Facilities in 2014

SDC name	Number of network connection requests		Network connection contracts entered into		Network connection certificates signed	
	pcs.	MW	pcs.	MW	pcs.	MW
IDGC of Centre	12	543	5	17	2	8
LENENERGO	0	0	0	0	1	150
MOESK	3	99	0	0	3	484
IDGC of Volga	8	108	8	110	1	45
Yantarenergo	2	23	2	23	1	0
IDGC of South	17	363	5	45	2	72
Kubanenergo	3	29	0	0	3	193
IDGC of Northern Caucasus	10	178	1	140	1	150
Tyumenenergo	2	35	0	0	5	1,068
IDGC of Siberia	8	197	2	125	4	157
TDC	3	42	3	42	0	0
IDGC of North-West	15	89	6	30	2	21
IDGC of Urals	15	853	11	1,001	3	101
IDGC of Center and Volga Region	5	32	3	22	3	327
Other	6	138	3	10	0	0
<b>Total for electricity distribution sector</b>	<b>109</b>	<b>2,729</b>	<b>49</b>	<b>1,565</b>	<b>31</b>	<b>2,775</b>
FGC UES	33	4,577	14	1,133	9	1,769
<b>TOTAL for ROSSETI SDCs</b>	<b>142</b>	<b>7,306</b>	<b>63</b>	<b>2,698</b>	<b>40</b>	<b>4,544</b>

<sup>1</sup> details without information on electric power generation facilities

<sup>2</sup> note: 1 MW = 1000 kW

<sup>3</sup> Yargorelektroset, Tsarskoye Selo Electric Grid Company, Kurortenergo, Dagenergoset, Chechenenergo, Ingushenergoset, ENCE, Tyvaenergo

In 2014, ROSSETI subsidiaries completed work on network connection for several large power generation facilities constructed under Ordinance of the Government of the Russian Federation No. 1334-r of August 11, 2010, “On the Approval of the List of Generation Facilities Used for the Supply of Capacity Under Capacity Supply Contracts” such as:

FGC UES	network connection for Unit No. 4	890 MW	Beloyarskaya NPP Rosenergoatom Concern
FGC UES	network connection for Unit No. 3	420 MW	Nyaganskaya TPP Fortum
FGC UES	network connection for Unit No. 1	180 MW	Novogorkovskaya CHPP Integrated Energy Systems
IDGC of Center and Volga Region	network connection for Unit No. 2	180 MW	Novogorkovskaya CHPP Integrated Energy Systems
MOESK	Network connection for CCGT	420 MW	CHPP-16 MOSENERGO
IDGC of Siberia	Network connection for CCGT	120 MW	Abakansakaya CHPP TGK-13

## Network Connection Fee

**The following legal regulations apply to government regulation of network connection fees charged by electric utilities:**

- Federal Law No. 35-FZ of March 26, 2003, “On the Electric Power Industry”;
- Resolution of the Government of the Russian Federation No. 1178 of December 29, 2011, “On Pricing in the Area of Regulated Prices (Tariffs) in the Electric Power Industry”;
- Guidelines approved by Order of the Federal Tariff Service of the Russian Federation No. 209-e/1 of September 11, 2012.

The Federal Tariff Service sets fees for connection to the Unified National (All-Russian) Electric Grid:

<b>1</b>	individually for a specific Applicant approaching the Federal Tariff Service if it is necessary to build electric grid facilities;
<b>2</b>	as a formula if the measures included in the S1 standardized tariff rate (cost of organizational measures that are not related to building electric grid facilities) are carried out.

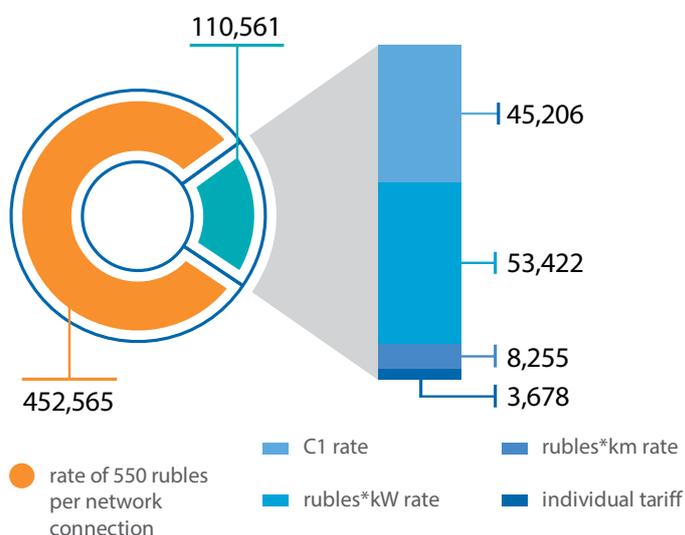
Executive authorities of constituents of the Russian Federation in the sector of state regulation of tariffs for calculation of the fee for network connection to territorial distribution grids approve:

<b>1</b>	for the regulation period: <ul style="list-style-type: none"> <li>• standardized tariff rates</li> <li>• rates for maximum capacity unit (rubles/kW)</li> <li>• Network connection fee formula</li> </ul>
<b>2</b>	as requested by the grid organization, fee for network connection to territorial distribution grids of power-receiving equipment of individual consumers for maximum capacity of at least 8,900 kW and on the voltage level of at least 35 kW and electric power generation facilities, and for connection under a specific project

Pursuant to the applicable laws, the person intending to have network connection to electric grids may select the network connection fee rate type on its own. The applicant selects the fee rate at the stage of entering into the network connection contract.

The structure of preferences of applicants by network connection fee rate types, subject to pricing features for specific applicant categories in 2014:

**Distribution of Contracts by Use of the Network Connection Fee Pricing Type<sup>4</sup>, pcs.**



The fee under the network connection contract is charged in a lump sum with a possible condition for payment for specific network connection activities.

The network connection fee for power-receiving equipment for maximum capacity not exceeding 15 kW inclusive (subject to earlier connected power-receiving equipment at this connection point) electric power supply for which is provided for one source is equal to the amount not exceeding 550 rubles given that the distance from the applicant's lot to the electric grid facilities of the voltage class required by the applicant of the grid organization where the request is submitted does not exceed 300 meters in cities and urban-type settlements and 500 meters in the rural area.

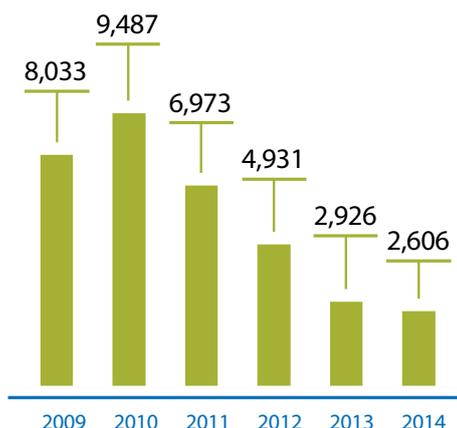
For applicants with maximum capacity from 15 to 150 kW the opportunity of having an interest-free instalment plan of 95% of the network connection fee amount for a term up to 3 years is provided for.

Pursuant to the provisions of the Federal Law “On the Electric Power Industry” dated January 1, 2011, the network connection fee must not include the investment element for coverage of expenses related to the existing infrastructure development, including relations between the facilities of territorial grid organizations and the facilities of the Unified National (All-Russian) Electric Grid, except for expenses for construction of electric grid facilities – from the existing electric grid facilities to connected power-receiving equipment or power industry facilities.

Implementation of the amendments to this Federal Law resulted in reduction of the average network connection fee amount in 2014 by 70% as compared to the maximum value in 2010

<sup>4</sup> The S1 tariff rate includes the cost of organizational measures that are not related to building electric grid facilities

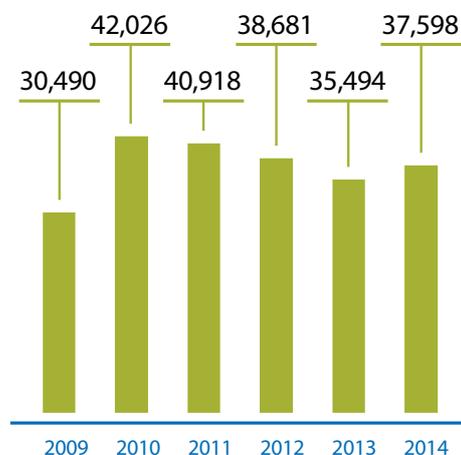
## Existing Average Amount of the Fee for Network Connection to Distribution Grids<sup>5</sup>, Rubles/kW



## Proceeds from Network Connection Services in 2014

Changes in the pricing for the fee for network connection to electric grids of grid companies, namely exclusion from the network connection fee of the investment element for coverage of expenses related to the existing infrastructure development, reduction of the network connection fee amount for specific applicant types, is a limiting factor for the increase of proceeds from network connection services.

## Changes in Proceeds from Network Connection Services (2009-2014), in millions of rubles (without VAT)



In 2014, for the ROSSETI Group of Companies against the scheduled amount of 32 billion rubles (without VAT) the actual proceeds from network connection services were equal to 37.6 billion rubles (without VAT) or 117% of the scheduled one

<sup>5</sup> The average network connection fee rate amount (rubles per kW) is calculated by dividing the proceeds from network connection services for the period by the connected capacity volume in this period

<b>SDC name</b>	<b>Scheduled for 2014</b> million rubles (without VAT)	<b>Actual for 2014</b> million rubles (without VAT)	<b>Scheduled for 2015</b> million rubles (without VAT)
IDGC of Centre	1,375	1,496	1,131
LENENERGO	8,183	8,249	9,484
MOESK	11,126	11,830	10,954
IDGC of Volga	477	490	207
Yantarenergo	257	250	323
IDGC of South	670	704	435
Kubanenergo	793	848	908
IDGC of Northern Caucasus	439	436	56
Chechenenergo	1	1	8
Tyumenenergo	906	871	401
IDGC of Siberia	969	890	834
TDC	53	64	29
IDGC of North-West	826	882	1,483
IDGC of Urals	1,710	1,720	1,953
IDGC of Center and Volga Region	679	723	599
Other <sup>6</sup>	1,055	<b>1,170</b>	1296
<b>Total for electricity distribution sector</b>	<b>29,518</b>	<b>30,622</b>	<b>30,101</b>
FGC UES	2,501	6,976	6,551
<b>TOTAL for ROSSETI SDCs</b>	<b>32,020</b>	<b>37,598</b>	<b>36,652</b>

## Best Practices and Pilot Projects Related to Network Connection

One of the key mechanisms for achievement of strategic network connection goals at ROSSETI is distribution in ROSSETI SDCs of the best corporate and regional practices to ensure affordability of the grid infrastructure.

Thus, at the initiative of ROSSETI SDCs, on the regional level in order to reduce the network connection period due to elimination of administrative barriers the regulations were adopted for the purposes of reduction of the period for allocation of land plots for construction of electric grid facilities in the following constituents of the Russian Federation: Sverdlovsk Region, Chelyabinsk Region, Perm Territory, Yaroslavl Region, Moscow Region, Nizhni Novgorod Region, Republic of Udmurtia, etc.

In order to involve public authorities, representatives of public organizations and experts in the power industry area in discussion of urgent issues of affordability of the grid infrastructure and exchange of the best corporate and regional practices, in September 2014, in St. Petersburg, ROSSETI held the Second All-Russian Forum for Network Connection “Affordable Grids: Projects, Experience, Actual Issues.” In the form of panel discussions the participants of the forum considered urgent issues of increasing affordability of network connection, defined priority areas of further work and interaction of the power infrastructure entities and users.

Most successful corporate practices of simplification of the network connection procedure and provision of comfortable servicing conditions include the following projects of ROSSETI SDCs:

<sup>6</sup> Yargorelektroset, Tsarskoye Selo Electric Grid Company, Kurortenergo, Dagenergoset, Ingushenergoset, ENCE, Tyvaenergo

<p><b>Back Office Establishment</b> IDGC of Siberia</p>	<p>In early 2014, IDGC of Siberia started implementing the project “Back Office Establishment” comprising engineering business processes for centralization of functions of preparing draft contracts for network connection and technical requirements and automation of the aforesaid processes with application of geoinformation systems and the SAP software solution.</p> <p>Implementation of this project will allow reducing the scope of unreasonable activities related to construction and reconstruction of grids, optimization of the headcount due to uniformly distributed load and exclusion of the opportunity of misusing their official capacity by employees of the Company</p>
<p><b>Electronic ROSSETI</b> Kubanenergo</p>	<p>The Project implemented by Kubanenergo – opening of the Customer Service Center in Sochi equipped with the data self-service terminal “Electronic ROSSETI” and the electronic queue system – is a successful practice in the area of development of the face-to-face form of servicing. Up-to-date equipment in service offices provides applicants with the opportunity of submitting network connection requests through the self-service terminal, receiving structured reference information and having a simplified procedure for filling in standard document forms in the data terminal.</p>

The most successful practice of the ROSSETI Group of Companies in 2014 with regard to development of electronic service forms and reduction of connection states is the project implemented by MOESK – “3 Steps – 2 Visits”

As part of the project, for any applicant the capacity of power-receiving equipment of which is up to 150 kW the request acceptance procedure is organized through the MOESK Web portal which excludes the need for any face-to-face visit to the company's office. According to the program results, the number of stages was reduced from 19 to 5 and the period for preparation of draft contracts for network connection of facilities for capacity up to 150 kW was reduced from 31 to 9 days.

### **Best Practices on Development of Electric Grids in the Long Term**

The following practices should be mentioned as the best practices of SDCs with regard to the long-term development of electric grids of the distribution facilities:

- experience of MOESK related to the development in 2014 of the Comprehensive Development Program for Electricity Networks of 110 (35) kV and Above in the Territory of Moscow and the Moscow Region for the Period of 2014-2019 and Up to 2025;
- experience of Tyumenenergo related to the development in 2014 of the Comprehensive Development Programs for Electricity Networks of 35 kV and Above in the Territory of the Khanty-Mansijsk Autonomous District, the Yamalo-Nenets Autonomous District and the Tyumen Region by the engineering company, PIC UralTEP.



## Andrey Dyomin

First Deputy Director General for Economic Affairs and Finance, JSC ROSSETI:

Ensuring the financial stability of JSC ROSSETI and its subsidiaries in the current macroeconomic environment, increasing the Company's operating efficiency, and reducing its operating and investment expenditures were the previous year's top priorities for the financial and economic unit of the Company.

The financial results were affected by the revaluation of assets, JSC ROSSETI's subsidiaries that worked in 2014 amid "frozen" grid tariffs, restrictions on access to debt capital markets, increased costs of electrical equipment (both foreign and domestic), a higher key rate of the Bank of Russia, an increase in receivables, and a number of other aspects that adversely affected the appeal of grid companies for investors and, consequently, their share prices.

To change the situation and improve the financial stability of ROSSETI's grid companies for the last three years, JSC ROSSETI has put forward initiatives to amend government regulation on the electricity industry, including establishing long-term transparent regulatory rules, resolving the issue of last mile agreements, reducing cross-subsidies, introducing economically feasible network connection fees without increasing the tariff burden on all consumers of electricity distribution services, imposing of penalties for unpaid services in the retail electricity market similar to those in the wholesale market, establishing the institution of "financial guarantees" for grid companies, causing suppliers of last resort to be responsible to grid companies to the same extent as to the wholesale market, and setting up uniform settlement centers in the regions.

Approved in 2014, the Long-Term Development Program of JSC ROSSETI also provides for a number of measures to enhance the financial stability of electric grid companies and their appeal among investors.

Due to limited access to the Western debt capital markets, ROSSETI started to explore the possibility of approaching the Asian markets and encouraging investment from this region. Negotiations with financial and investment institutions of China, Hong Kong, and some other countries will continue into the following year.

# MD&A

## Consolidated Key Financial Indicators

Consolidated revenue rose by 0.5% year-on-year to RUB 759.6 bln compared with RUB 755.8 bln earned by the ROSSETI Group in 2013. The upward trend is due to increased revenue from electricity distribution services.

Adjusted profit<sup>1</sup> for the reporting period slightly decreased by 6.1% compared with 2013 totaling RUB 69.5 bln as a result of high rate of increase in amortisation due to the launch of new property, plant and equipment as part of the investment programme

Free cash flow rose by 883% on 2013 to RUB 20.7 mln as a result of an RUB 11.7 mln (7.9%) increase in the Company's cash flows from operating activities and a decrease in net cash flows from investing activities.

Key financial indicators, mln RUB	2013	2014	Change 2014/2013,%
Revenue	755.806	759.608	0.5
Operating expenses	(912.566)	(759.805)	(16.7)
Other income, net	7.939	14.309	80.2
Adjusted EBITDA	233.162	249.029	6.8
Loss for the period	(159.389)	(24.257)	(84.8)
Adjusted net profit	73.999	69.499	(6.1)

## Revenue

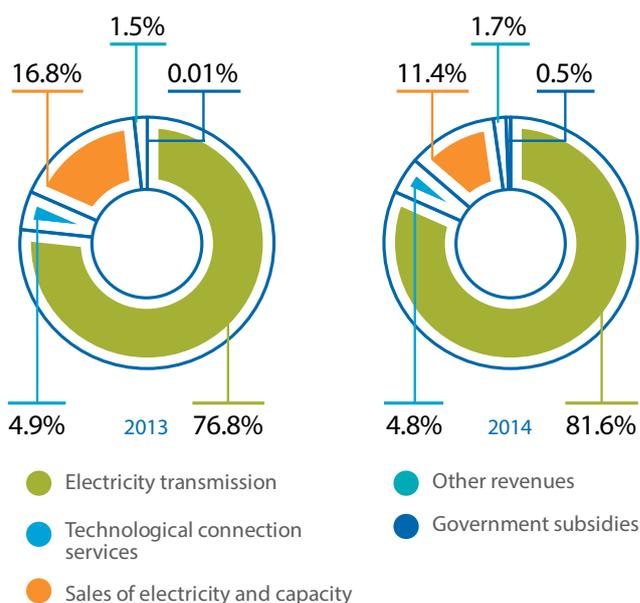
Consolidated revenue increased by 0.5% year-on-year to RUB 759.6 bln. The ROSSETI Group's revenue is determined by changes in electricity consumption (in 2014 electricity demand rose by 0.4%) and electricity transmission and distribution tariffs.

Revenue structure for 2013 and 2014 is represented in the table and diagrams below:

Revenue, mln RUB	2013	2014	2014/2013,%
Electricity transmission	580.656	620.022	6.8
Network connection services	37.005	36.473	(1.4)
Electricity resale	127.063	86.516	(31.9)
Other revenue	11.009	12.484	13.4
Government subsidies	0.073	4.113	-
<b>TOTAL</b>	<b>755.806</b>	<b>759.806</b>	<b>0.5</b>

<sup>1</sup> Adjusted net profit is calculated as net profit for the period excluding losses from impairment of assets, available-for-sale

## Revenue structure



Revenue from **electricity transmission and distribution** rose by 6.8% to RUB 620 bln due to the June 1, 2013, tariff increase. Considering the decrease of revenue from the sale of electricity share, Revenue from electricity transmission and distribution amounted over 82% of the consolidated Group revenue in 2014.

The share of technological connection in the Company's revenue shrank by 18.7% mainly due to the provision of technological connection services to consumers at reduced tariffs and the implementation of a roadmap for improving the infrastructure accessibility approved by the government of the Russian Federation.

Group revenues from **the sale of electricity** decreased by 31.9% to RUB 86.5 bln compared with RUB 127.1 bln in 2013. The decrease was related to the transfer in 2014 by certain ROSSETI subsidiaries the function of guaranteed supplier to external companies that had won guaranteed supplier tenders in accordance with the resolution of the Russian Ministry of Energy.

## Operating expenses

Operating expenses decreased by 16.7% to RUB 759.8 bln in 2014, primarily as a result of reducing of recognized impairment losses of property, plant and equipment and reducing of purchased electricity for resale costs due to the transferring by certain ROSSETI subsidiaries the function of guaranteed supplier to external companies.

Operating expenses, mln RUB	2014	2013	Change, %
Personnel costs	155,155	150,193	3.3
Depreciation and amortization	125,910	115,942	8.6
Impairment of property, plant and equipment	81,690	239,446	(65.9)
Material expenses, including:	167,607	189,310	(11.5)
<i>Purchased electricity for compensation of technological losses</i>	92,098	101,135	(8.9)
<i>Purchased electricity for resale</i>	46,834	60,164	(22.2)
Production work and services, including::	144,384	142,060	1.6
<i>Electricity transmission</i>	125,445	122,437	2.5

<i>Repairs, maintenance and installation services</i>	14,302	14,607	(2.1)
Impairment of trade and other receivables	18,872	19,892	(5.1)
Taxes other than income tax	14,738	9,733	51.4
Provisions	12,043	1,665	623.3
Other expenses	39,406	44,325	(11.1)
<b>TOTAL operating expenses</b>	<b>759,805</b>	<b>912,566</b>	<b>(16.7)</b>
<b>TOTAL operating expenses excluding depreciation of fixed assets and impairment of accounts receivable</b>	<b>659,243</b>	<b>653,228</b>	<b>0.9</b>

In addition, the dynamics of operating expenses excluding depreciation of fixed assets and impairment of accounts receivable grew by 0.9% to 659.2 billion rubles compared with 2013. The growth was significantly impacted by higher amortisation (due to the introduction of new facilities as part of the investment programme), personal costs increase due to salary indexation for industrial personnel in accordance with the effective Branch Agreement and increased headcount at sites as part of the implementation of the investment programme. At the same time other reserves balance rose by 10.4 billion rubles due to accrued reserves for estimated liabilities in connection with litigation from territorial grid companies relating to electricity transmission and power distribution companies relating to electricity sales to compensate for technological losses. A considerable increase of 51% in taxes and levies, except for profit tax, is largely because of property tax payable by FGC UES and MOESK due to amendments to tax legislation (gradually abolished tax relief on property related to power lines since January 1, 2013)

### Operating Profit and adjusted EBITDA Analysis

Implementation of measures to improve operating efficiency and reduce operating expenses enabled ROSSETI Group to increase operating efficiency and level negative impact of external macro economical factors and growing of beyond the control of management costs.

### Adjusted EBITDA analysis

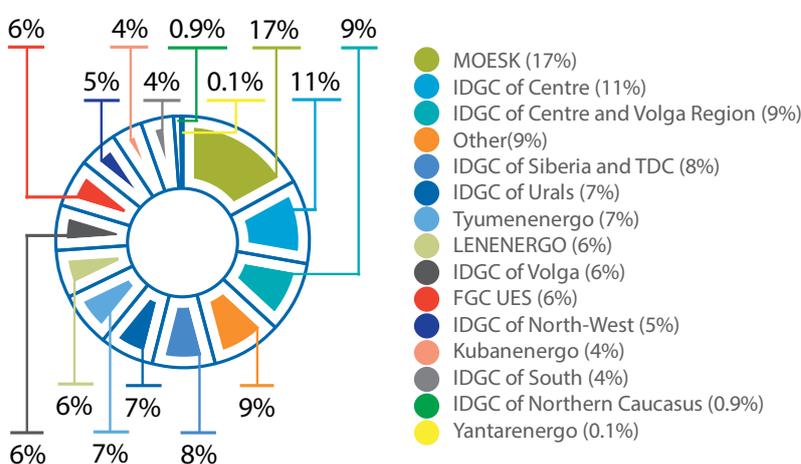
Adjusted EBITDA increased to RUB 249.0 bn, which is higher than the previous year by RUB 15.9 bn, or 6.8%. Adjusted EBITDA margin grew by 32.8% that is 2.0 pp higher than the previous year. The increase of Adjusted EBITDA resulted at Implementation of measures to improve operating efficiency and reduce operating expenses as part of the Company's performance management programme with stable revenue volume.

<b>Adjusted EBITDA analysis, RUB bln</b>	<b>2013</b>	<b>2014</b>
<b>Loss for the period</b>	<b>(159.389)</b>	<b>(24.257)</b>
Depreciation and amortization	115.942	125.910
Interest expenses	15.885	23.973
Income tax benefit/(expense)	(31.012)	6.208
<b>EBITDA</b>	<b>(58.574)</b>	<b>131.834</b>
<i>Adjustments:</i>		
<i>provision for impairment of property, plant and equipment, trade and other receivables, loss on impairment of investments and impairment of bills</i>	<i>291.736</i>	<i>117.195</i>
<b>Adjusted EBITDA</b>	<b>233.162</b>	<b>249.029</b>
<i>Adjusted EBITDA margin</i>	<i>30.8%</i>	<i>32.8%</i>

## Segment revenues

The Group has fourteen reportable segments, as described below, which are the Group's strategic business units. Each strategic business unit offers electricity distribution services, including technological connection services, in a separate geographical region of the Russian Federation and is managed separately.

### Revenue from external customers in reporting segments



A significant share of revenue from external customers in consolidated Group revenue is taken by MOESK (17%) and IDGC of Centre (11%). Whereas revenue from external customers of FGC UES consists only 6%, the major part of FGC UES's revenue amounts in revenue from other Group's SDCs.

## Assets

Non-current assets increased by 2.0% in 2014 to RUB 1,696.6 bln. Changes in non-current assets consisted in the higher value of fixed assets, lower value of other investments and financial assets.

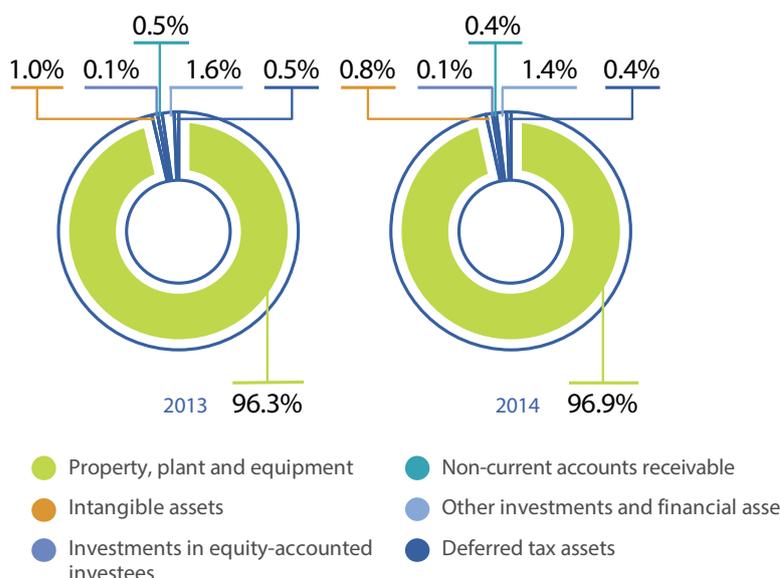
Property, plant and equipment grew by 3.0% in 2014 to RUB 47.7 bln, primarily due to the commissioning of new facilities as part of the investment programme.

Total other investments and financial assets in 2014 decreased by RUB 4.3 bln (16% down) due to the revaluation of financial investments (shares in Inter RAO) at current market value as of December 31, 2014.

Deferred tax assets in 2014 decreased to RUB 1.9 bln in 2014, which was substantially due to the recognition of expenses associated with impairment of property, plant and equipment, to provisioning for contingencies in connection with litigation from territorial grid companies relating to electricity transmission and power distribution companies relating to electricity sales to compensate for technological losses.

### Structure of Non-Current Assets

Indicators, RUB mln	2013	2014	2014/2013,%
Property, plant and equipment	1,595.862	1,643.586	3.0
Intangible assets	16.557	14.300	(13.6)
Investments in equity-accounted investees	1.202	1.627	35.4
Non-current accounts receivable	7.442	6.971	(6.3)
Other investments and financial assets	27.309	22.952	(16.0)
Deferred tax assets	9.012	7.117	(21.0)
<b>Total non-current assets</b>	<b>1,657.384</b>	<b>1,696.553</b>	<b>2.4</b>

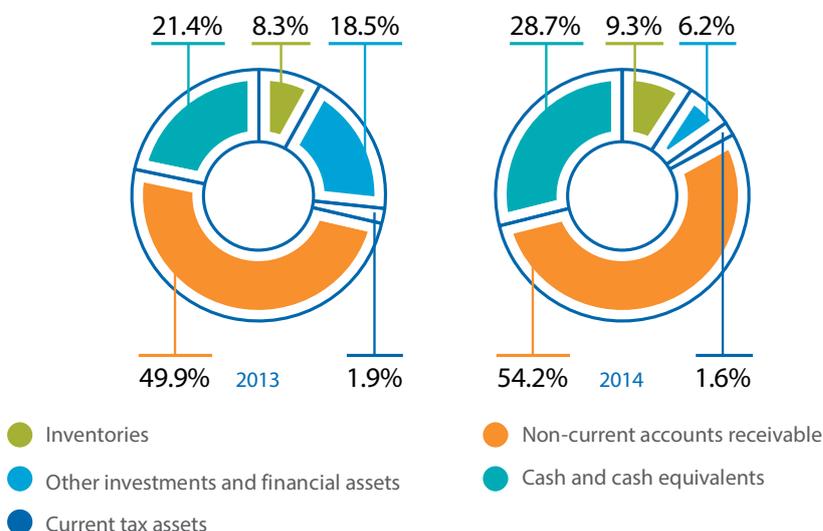


The structure of the Company's current assets in 2014 is characterized by the following changes:

- In the reporting period, inventories grew by 11% and reached 9% of total current assets. The increase in inventories was due to higher costs of building materials and to a quantitative growth in inventories in consequence of certain parts of work switching over to using in-house resources for repair operations;
- Short-term receivables were up by 8%, which is comparable with the increase in revenue for the period;
- Other investments and financial assets decreased by RUB 35 bln in 2014, or 66% due to the closing of short-time deposits.

### Structure of Current Assets

Indicators, RUB mln	2013	2014	2014/2013,%
Inventories	23,920	26,630	11.3
Other investments and financial assets	53,306	17,908	(66.4)
Current tax assets	5,568	4,636	(16.7)
Trade and other receivables	143,944	155,776	8.2
Cash and cash equivalents	61,917	82,576	33.4
<b>Total current assets</b>	<b>288,655</b>	<b>287,526</b>	<b>(0.4)</b>



## Equity and Liabilities

The structure of equity remained almost unchanged in 2014.

Structural changes in the Company's equity resulted from retained earnings decreased by the amount of the loss.

### Structure of Equity in 2013-2014

Indicators, RUB mln	2013	2014	2014/2013,%
Share capital	163,154	163,154	0
Share premium	212,978	212,978	0
Treasury shares	(2,819)	(2,725)	(3.3)
Other reserves	(6,265)	(3,981)	(36.5)
Retained earnings	398,711	383,554	(3.8)
<b>Total equity attributable to equity holders of the Company</b>	<b>765,759</b>	<b>752,980</b>	<b>(1.7)</b>
Non-controlling interest	295,932	285,824	(3.4)
<b>Total equity</b>	<b>1,061,691</b>	<b>1,038,804</b>	<b>(2.2)</b>

Considerable part of non-current liabilities in 2014 was represented by loans and borrowings (85,7%).

Non-current liabilities in the reporting period decreased by RUB 11.2 bln, or 2%, and reached RUB 563.1 bln at the end of 2014. Considerable changes were materially due to RUB 6.8 bln or 1.4% decrease in loans and borrowings, specifically as a result loan maturity changed from long-term to short-term .

The 11.2% decline in deferred tax liabilities was due to lower deferred tax liabilities related to fixed assets in consequence of the recognized losses of their impairment in 2014.

## Financial Stability and Loan Portfolio

As of December 31, 2014, the Company's consolidated net debt slightly increased by 2% on the previous year to 496 billion rubles.

### Analysis of Gross Debt

Indicators, RUB mln	31.12.2013	31.12.2014	Changes 2014/2013
Long-term debt	492,229	485,409	(1)%
Short-term debt	57,808	93,227	61%
<b>Gross debt</b>	<b>550,037</b>	<b>578,636</b>	<b>5%</b>
Long-term debt, %	89%	84%	5 pp.
<b>Net debt</b>	<b>488,120</b>	<b>496,060</b>	<b>2%</b>
<b>Adjusted EBITDA</b>	<b>233,162</b>	<b>249,029</b>	<b>.8%</b>
Net debt/ adjusted EBITDA	2.1	2.0	<b>(0.1 pp.)</b>

The amount of short-term debt related to loans and borrowings increased by 61% to RUB 93.2 bln as of December 31, 2014. The rise in net debt is due to both an increase in the Group's loan portfolio resulting from short-term borrowings to finance the capital investment program and the revaluation of the Group's debt obligations denominated in foreign currency.

## Credit Ratings

The Company is active in cooperating with leading international rating agencies: Moody's, Standard & Poor's, and Fitch Ratings. In accordance with the methodologies of the international rating agencies, JSC ROSSETI and its SDCs qualify as government-linked companies. Consequently, the credit ratings of the Group's entities are closely tied to the sovereign rating of the Russian Federation.

Against a background of instable foreign policy, sanctions against some Russian entities and individuals, and the deteriorating economic situation, the international rating agencies in 2014 revised the sovereign rating for the Russian Federation and the credit ratings for Russia's largest companies, including the ROSSETI Group's entities.

The creditworthiness of the ROSSETI Group's entities was not revised by any rating agency, which indicates the Group's stable financial position

In February 2014, Moody's reaffirmed the credit ratings of JSC ROSSETI at Ba1; JSC FGC UES at Baa3; and JSC LENENERGO; JSC MOESK; IDGC of Volga, JSC; IDGC of Urals, JSC; and IDGC of Center and Volga Region, JSC at Ba2; all with a stable outlook. However, during the year, the agency changed several times its outlook for the Group's credit ratings. Due to the deteriorating economic situation and the lowered ceiling ratings for Eurobonds on Russian companies and their foreign currency deposits, Moody's placed all of the Group's credit ratings under review for downgrade on December 23, 2014.

In 2014 Standard & Poor's initially assigned an international investment grade credit rating to JSC ROSSETI. The rating of the Company is relevant to sovereign credit rating

On March 27, 2014, Standard & Poor's gave JSC ROSSETI a BBB- international credit rating with a negative outlook.

On April 28, 2014, Standard & Poor's downgraded by one notch the credit rating of JSC FGC UES to BBB- with a negative outlook due to the lowering of the sovereign rating of the Russian Federation to the same level.

On December 30, 2014, Standard & Poor's placed under review for downgrade the credit ratings of JSC ROSSETI (BBB-), JSC FGC UES (BBB-), JSC MOESK (BB), and IDGC of Centre, JSC (BB). Previously, the agency had placed under review the rating of the Russian Federation.

Receiving credit ratings from international credit rating agencies enables the Company and its subsidiaries to be increasingly attractive to investors and pursue an effective borrowing policy in public capital markets

## ROSSETI Group Credit Ratings as of December 31, 2014

Company	Current Credit Rating			Initial Assignment Date		
	Moody's	S&P	Fitch			
<b>JSC ROSSETI</b>	<b>Ba1</b>	<b>BBB-</b>	<b>_</b>	<b>July 2010/March 2014</b>		
JSC FGC UES	Baa3	BBB-	BBB	February 2006	June 2004	October 2013
JSC MOESK	Ba2	BB	BB+	October 2007	January 2012	August 2013
IDGC of Centre, JSC	-	BB	_	November 2009		
IDGC of Volga, JSC	Ba2	_	_	October 2012		
IDGC of Center and Volga Region, JSC	Ba2	_	_	October 2012		
IDGC of Urals, JSC	Ba2	_	_	October 2012		
JSC LENENERGO	Ba2	_	_	November 2009		

## Key Financial Ratios

Indicator/Ratio	2013	2014	Change 2014/2013
EBITDA adj. margin	30.85%	32.78%	6.3%
Net Debt/ EBITDA adj.	2.1	2.0	(0.1)
Current ratio	0.93	0.75	(19.4%)
Quick ratio	0.85	0.68	(20.0%)
Leverage	0.83	0.91	9.6%
Total Assets turnover	0.39	0.38	(2.7%)
Long-term loans/gross debt	89%	84%	(5 pp.)

# Tariff Regulation

## Characteristics of Tariff Regulation

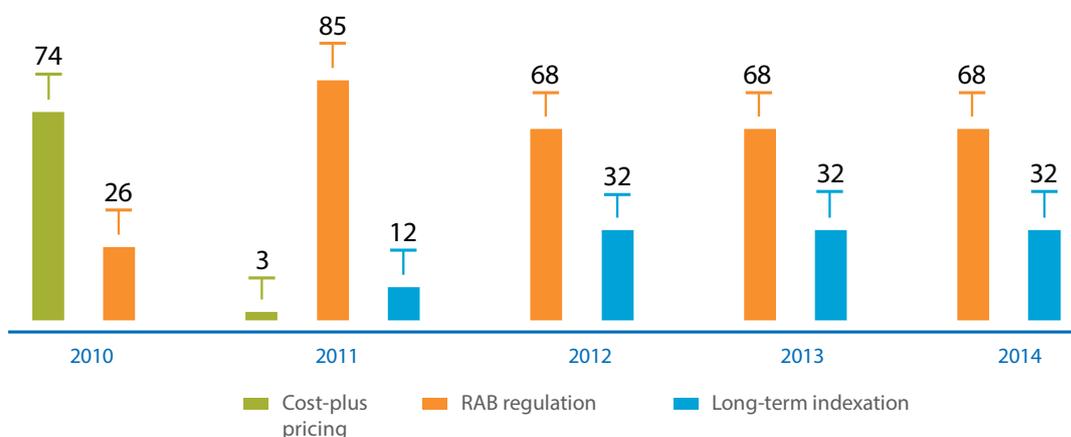
The tariff policy in the electric grid sector is aimed at ensuring long-term and transparent tariff regulation.

At present, ROSSETI SDCs are subject to long-term tariff regulation methods: return on invested capital method (RAB) and long-term minimum regulated revenue indexation method.

## Return on Invested Capital Method (RAB) vs. Long-Term Minimum Regulated Revenue Indexation Method

Return on Invested Capital Method	Long-Term Minimum Regulated Revenue Indexation Method
An organization's minimum regulated revenue is set for a long-term regulation period and based on the following parameters:	
<ul style="list-style-type: none"> <li>• base level of operating expenses</li> <li>• efficiency index of operating expenses</li> <li>• amount of invested capital</li> <li>• net working capital</li> <li>• rate of return on invested capital</li> <li>• payback period</li> <li>• asset-based elasticity of controllable expenses</li> <li>• standard of electricity network losses as approved by the Ministry of Energy of the Russian Federation (starting from 2014, electricity network losses in the case of the first and/or subsequent long-term regulation periods)</li> <li>• reliability and quality level of sold goods/services</li> </ul>	<ul style="list-style-type: none"> <li>• base level of controllable expenses</li> <li>• efficiency index of controllable expenses</li> <li>• asset-based elasticity of controllable expenses</li> <li>• electricity network losses (starting from 2014, electricity network losses in the case of the first and/or subsequent long-term regulation periods)</li> <li>• reliability and quality level of sold goods/services</li> </ul>

## Evolution of the Implementation of Long-Term Tariff Regulation, %



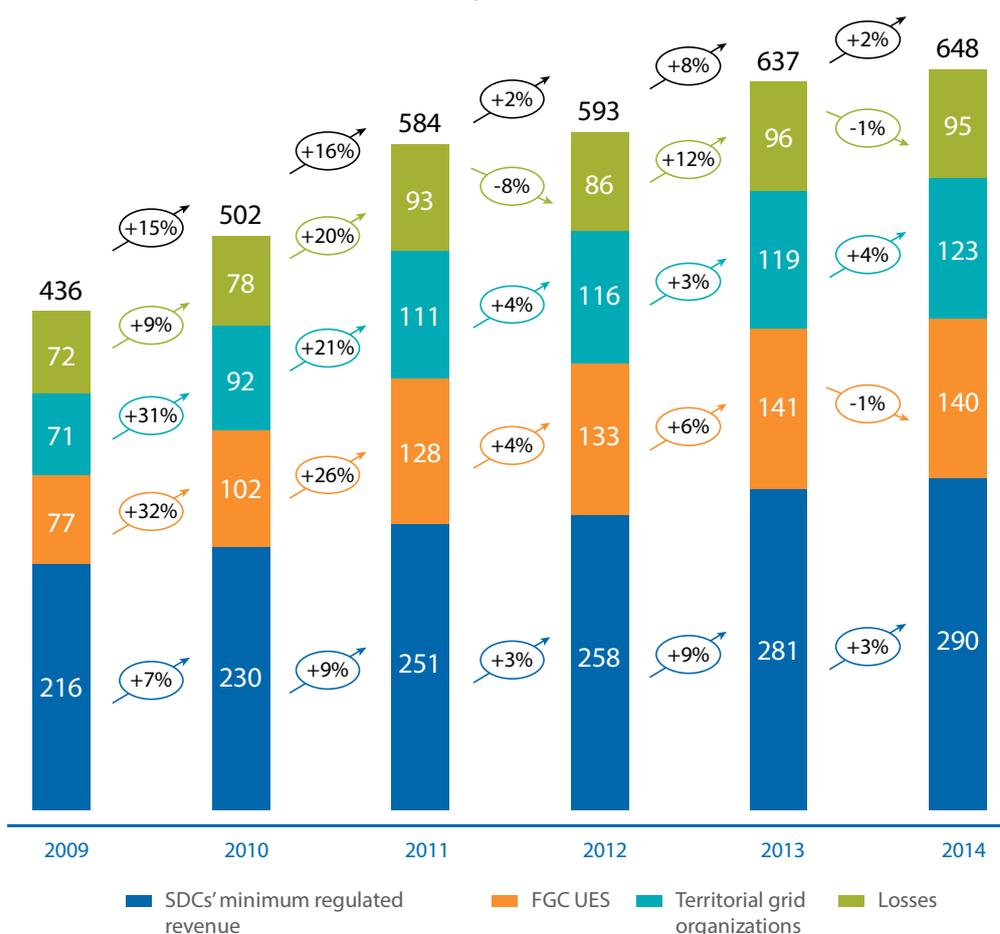
In the case of the long-term minimum regulated revenue indexation method, the main components of minimum regulated revenue are controllable expenses and uncontrollable expenses, including expenses associated with depreciation of fixed assets and expenses related to using reinvested profit. Reinvested profit may not be in excess of 12% of a grid organization’s minimum regulated revenue.

Inherent in the return on invested capital method is the possibility of a phased payback plus interest on invested capital. Therefore, the benefits of the transition to RAB regulation are that returns are guaranteed, thus encouraging investment in grid infrastructure construction and modernization, and that it is possible to make more investments compared with the long-term minimum regulated revenue indexation method.

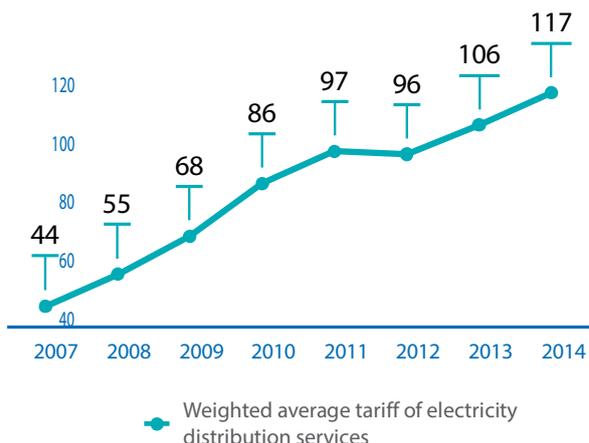
The calculation base for electricity transmission and distribution services is the volume of electricity delivery and the amount of capacity determined in accordance with the Rules of Nondiscriminatory Access to Electricity Transmission and Distribution Services and the Provision Thereof and the consolidated forecast electricity (capacity) balance.

The distribution of costs in the electricity distribution tariff in 2014 was marked by an increase in costs incurred by other territorial grid organizations and by a decrease in costs associated with compensation for electricity losses

Distribution of Costs in the Electricity Distribution Tariff, billion rubles

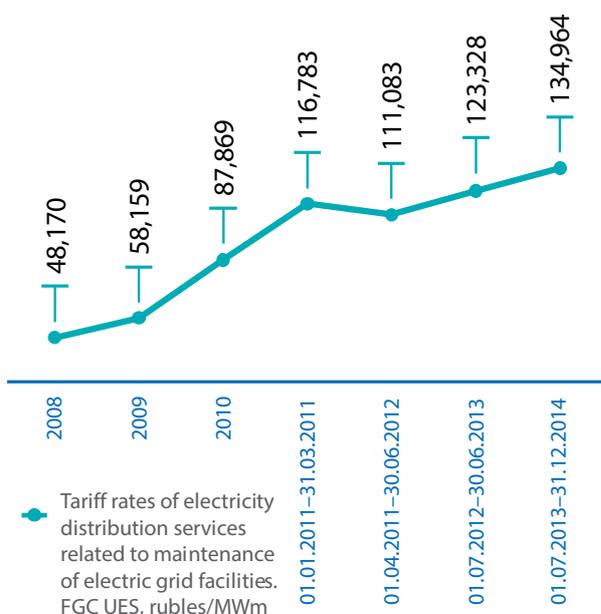


## Changes in the Weighted Average Tariff of Electricity Distribution Services, kopecks/kWh



The weighted average pool tariff in the existing agreement system was 1.17 rubles per kWh in 2014, or 10% higher than in 2013.

## Tariff Rates of Electricity Distribution Services Related to Maintenance of Electric Grid Facilities, FGC UES, rubles/MWm



The tariff rate of electricity distribution services related to maintenance of UNEG electric grid facilities did not change on July 1, 2014, and was 135,000 rubles per MWm in the reporting period.

## Resolution of the Problem of Last Mile Agreements in 2014

The last mile mechanism consists in leasing out the equipment of the Unified National (All-Russian) Electric Grid's (UNEG's) facilities to which the power-receiving equipment of electricity consumers is connected to territorial grid organizations.

In accordance with Federal Law No. 308-FZ of November 6, 2013, “On Amendments to the Federal Law ‘On the Electric Power Industry’ and Article 81 of the Federal Law ‘On Joint-Stock Companies,’” the last mile lease term was extended in 20 Russian regions:

**until July 1, 2029**, in the Republic of Buryatia, the Trans-Baikal Territory, the Amur Region, and the Jewish Autonomous Region;

**until July 1, 2017**, in the Republic of Karelia, the Republic of Marij El, the Republic of Khakassia, the Belgorod Region, the Volgograd Region, the Vologda Region, the Kursk Region, the Lipetsk Region, the Nizhni Novgorod Region, the Rostov Region, the Tambov Region, the Tomsk Region, the Tyumen Region, the Chelyabinsk Region, the Khanty-Mansijsk Autonomous District – Yugra, and the Yamalo-Nenets Autonomous District.

Starting from January 1, 2014, last mile customers pay for electricity distribution services at FGC UES’s tariffs and the cross-subsidy rate determined by the above-mentioned law

The enactment of Federal Law No. 308-FZ of November 6, 2013, enabled territorial grid organizations to reduce the risk of lost income resulting from interrupted electricity consumption; however, additional compensatory measures should be taken to resolve the problem in full.

Overall, the compensatory measures provided for in the applicable laws and carried out in 2014 made it possible to fully settle the issue in 22 constituent entities of the Russian Federation where last mile agreements were entered into before January 1, 2014,

However, the problem remains unresolved in 22 other Russian regions and requires additional compensatory measures.

## **Program for Disposing of Noncore Assets**

ROSSETI’s noncore assets are capital assets and construction-in-progress facilities intended for use other than the generation, transmission, dispatching, and distribution of electricity and heat and also include shares, issue-grade securities convertible into shares, and shareholdings in organizations that are not engaged in the generation, transmission, dispatching, distribution, and retailing of electricity and heat.

### **Documents that govern the disposal of ROSSETI’s and SDCs’ noncore assets:**

- Strategy for Disposing of Noncore Assets of ROSSETI and Subsidiaries and Dependent Companies of ROSSETI (approved by the Board of Directors on June 22, 2010; Minutes of the Meeting No. 37)
- Register (Sale Program) of Noncore Assets of ROSSETI (approved by the Board of Directors on December 30, 2010; Minutes of the Meeting No. 52)

Disposing of noncore assets aims to reduce expenses associated with the maintenance and management of noncore assets, earn proceeds from the sale of such assets, and receive high-quality (exclusive) services supporting the core activities

36 units of the Company’s noncore assets were divided into three groups by method of disposal: sale on a priority basis, sale with deferred disposal, and retained ownership.

It was planned to sell a total of 14 capital assets and construction-in-progress facilities with a net book value of 16.3 million rubles and a shareholding in VNIPIENERGOPROM with a carrying value of 2 million rubles.

All 14 capital assets and construction-in-progress facilities were sold at public auctions in a timely manner, resulting in the proceeds of 12.86 million rubles. In addition, in accordance with the option agreements previously signed with management, stakes in Siberian Energy Scientific and Technical Center and SCPE were sold, with the proceeds from the sale totaling 521 million rubles. A stake in Sibenergoproekt was written off due to the bankruptcy proceedings against the company.

The sale of noncore assets was not scheduled for 2014.

Simultaneously, the Company worked in 2014 to structure the transaction associated with the sale of shares in VNIPIENERGOPROM on a competitive basis. A decision of the Board of Directors was drafted, and the market value of the shares was appraised to this end. A directive of the Russian Government with respect to its representatives' voting at a meeting of the Company's Board of Directors is currently under consideration by executive authorities of the Russian Federation.

Additionally, a decision was prepared and adopted by the Board of Directors of the Company on October 29, 2014, (Minutes of the Meeting No. 168) in relation to the reorganization of the Engineering Center UES Real Estate through its takeover of Urals Power Engineering Company Real Estate, South Center of Power Engineering Real Estate, VNIPIENERGOPROM Real Estate, Volga Power Engineering Center Real Estate, North-West Power Engineering Center Real Estate, and Siberian Energy Scientific and Technical Center Real Estate and with respect to the sale of their real property in order to finance the project to set up the Federal Testing Center intended to conduct a full range of tests on electrical equipment, designs, and technologies.

Progress in selling ROSSETI's noncore assets was considered by the Board of Directors of the Company on November 18, 2014 (Minutes of the Meeting No. 169).



## Dan Belenky

### First Deputy Director General for Investment of JSC ROSSETI:

Despite the drastically changed macroeconomic environment in 2014, considering the high social significance of securing a high-quality electricity supply and the importance of modernizing the grid infrastructure for further comprehensive regional development, ROSSETI did its utmost to enable subsidiaries and dependent companies to implement the consolidated capital investment program.

We carried our plans in full last year, with the financing of capital investment totaling 240 billion rubles and the value of commissioned capital assets reaching 305.9 billion rubles, or 19.430 MVA of transformer capacity and 32.819 kilometers of power lines.

In the reporting year, ROSSETI's investment division was highly successful in enhancing the transparency and efficiency of procurement procedures. The consolidated economic effect totaled 30.6 billion rubles (exclusive of VAT), or 8.8% of the aggregate value of purchases. More than 98% of all purchases were made electronically.

This allowed us to receive several awards and the highest positions in the national procurement transparency ratings.

Another focus of the investment division's attention was work on building up partner relations with small and medium-sized businesses and increasing their share in the total number of contractors. We developed and put into operation our own electronic trading floor, providing small and medium-sized businesses with easier access to purchases made by both the Company and its subsidiaries and dependent companies.

Purchases from small and medium-sized businesses accounted for 24% at the end of 2014.

Our dependence on foreign-made electrical equipment was of no less importance in the current external environment. In 2014, ROSSETI formulated the import substitution policy. It is planned to approve and begin implementing the policy in 2015.

## **Procedure for Formulating the Capital Investment Program**

The procedure for formulating the consolidated capital investment program is set out in the Schedule of Formulating the Consolidated Investment Program of ROSSETI and Reporting on the Implementation of the Consolidated Investment Program approved by the Board of Directors of the Company (Minutes of the Meeting No. 175 of December 29, 2014).

In accordance with the Schedule, ROSSETI approves the drafts and adjustments of capex programs, reviews reports on the implementation of SDCs' capex programs, and prepares the Company's consolidated capital investment program and reports on its implementation.

## **Consolidated Capital Investment Program of ROSSETI SDCs**

The 2014 consolidated capital investment program of ROSSETI's subsidiaries and dependent companies takes account of SDCs' current capex programs approved in accordance with a resolution of the Government.

The capex programs of SDCs meet the following principal criteria:

- remedying the consequences of accidents at electric grid facilities;
- improving the operating reliability of electric grid facilities to secure an uninterrupted power supply;
- including the facilities intended for preventing (reducing) long-lasting power outages that affect socially important facilities and vital infrastructure;
- including the facilities necessary to perform obligations under network connection contracts and under connection contracts for low-end houses (the program of the Federal Agency for Construction, Housing and Utilities) and including the facilities ensuring that generators deliver capacity under capacity supply agreements;
- including the facilities initiated in the previous years;
- including the facilities in an unsatisfactory technical condition, whose routine maintenance and repair are economically and technically infeasible.

Furthermore, the capital investment program contains the facilities ensuring the implementation of the following programs:

- energy conservation and energy efficiency enhancement;
- creation of automatic emergency control systems and automatic mode control systems;
- creation of telemetry and telecommunication systems;
- installation of voltage regulators and reactive power compensators.

SDCs' capital investment is the capital expenditures that include the following expenses:

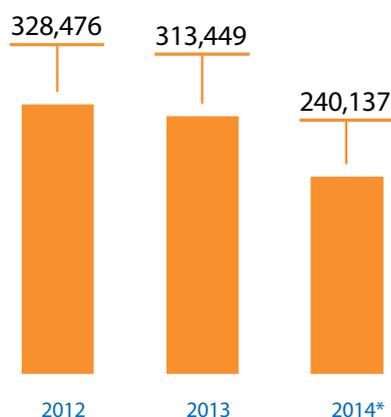
- new construction;
- rehabilitation, extension, and technical upgrading of production and nonproduction facilities;
- acquisition of buildings, structures, equipment, land, and facilities intended for the use of natural resources;
- acquisition and creation of intangible assets and other capital investment expenses;
- equity investments in electric grid companies.

In 2014, financing was 240.1 billion rubles (inclusive of VAT), while the value of commissioned capital assets totaled 305.9 billion rubles. Commissioned capacity in 2014 totaled 19.430 MVA and 32.819 kilometers

### Key Indicators of ROSSETI SDCs' Consolidated Investment Program in 2014

SDCs	Financing, million rubles (inclusive of VAT)	Commissioned Capital Assets, million rubles (exclusive of VAT)	Commissioned Capital Assets, MVA	Commissioned Capital Assets, kilometers
IDGC of Siberia	7,041	6,681	865	2,197
TDC	556	407	25	91
Tyumenenergo	9,419	4,465	131	258
IDGC of Urals	7,956	7,339	426	2,060
IDGC of Volga	6,271	6,491	435	1,153
IDGC of South	1,897	1,707	111	410
Kubanenergo	8,442	22,084	500	1,567
IDGC of Northern Caucasus	1,810	2,395	160	520
Chechenenergo	545	566	203	245
IDGC of Center and Volga Region	9,428	8,095	364	2,833
IDGC of North-West	5,191	4,985	400	1,636
LENENERGO	25,178	24,314	1,450	2,490
Yantarenergo	863	651	83	149
IDGC of Centre	14,245	12,913	1,107	5,110
MOESK	47,795	45,452	3,440	8,614
Tyvaenergo	105	58	10	40
ENCE	2,539	2,185	198	324
FGC UES <sup>1</sup>	90,857	155,091	9,522	3,121
<b>Total for ROSSETI SDCs</b>	<b>240,137</b>	<b>305,879</b>	<b>19,430</b>	<b>32,819</b>

### Changes in Financing for 2012–2014, million rubles (inclusive of VAT)



\* In comparability purposes with reports for previous periods information is given without SDCs of JSC ROSSETI companies: JSC Yargorelectroset, CJSC Svet, CJSC TSEC and CJSC Kurortenergo

<sup>1</sup> Information on commissioned production facilities is according to Appendix 6.3 “Report on FGC UES Commissioned/Decommissioned Facilities for 2014” sent by FGC UES to the Ministry of Energy of the Russian Federation with Letter No. GV-1922 dated April 1, 2015, under Resolution of the Government of the Russian Federation No. 977 of December 1, 2009

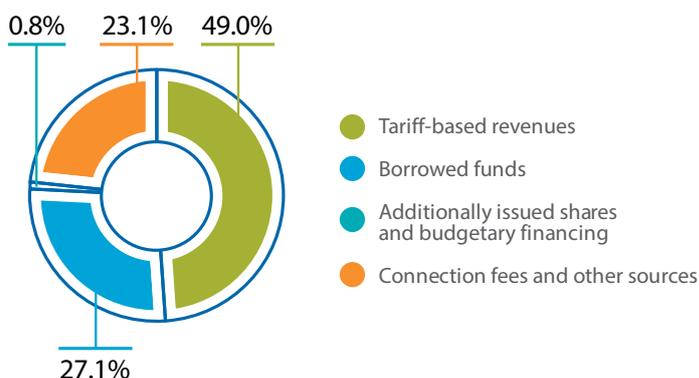
## Changes in Commissioned Capacity Under ROSSETI SDCs' Consolidated Investment Program for 2012–2014

SDCs	2012		2013		2014		2014/ 2013, %	2014/ 2013, %
	MVA	km	MVA	km	MVA	km	MVA	km
IDGC of Siberia	633	1,487	522	1,486	865	2,197	65.7	47.8
TDC	115	793	82	221	25	91	(69.5)	(58.8)
Tyumenenergo	865	716	649	90	131	258	(79.8)	186.7
IDGC of Urals	621	1,242	644	1,854	426	2,060	(33.9)	11.1
IDGC of Volga	780	1,753	779	1,823	435	1,153	(44.2)	(36.8)
IDGC of South	203	1,316	299	972	111	410	(62.9)	(57.8)
Kubanenergo	666	241	257	357	500	1,567	94.6	338.9
IDGC of Northern Caucasus	241	1,469	277	621	160	520	(42.2)	(16.3)
NURENERGO (until 2013)/Chechene nergo (from 2014)	31	178	37	386	203	245	448.6	(36.5)
IDGC of Center and Volga Region	693	3,603	694	2,952	364	2,833	(47.6)	(4.0)
IDGC of North- West	469	1,836	357	2,366	400	1,636	12.0	(30.9)
LENENERGO	1,911	1,581	907	1,846	1,450	2,490	59.9	34.9
Yantarenergo	23	105	74	118	83	149	12.2	26.3
IDGC of Centre	1,518	8,026	1,362	5,689	1,107	5,110	(18.7)	(10.2)
MOESK	4,792	4,320	4,453	6,195	3,440	8,614	(22.7)	39.0
Tyvaenergo	5	34	7	42	10	40	42.9	(4.8)
ENCE	553	90	154	133	198	324	28.6	143.6
FGC UES <sup>2</sup>	17,827	3,643	10,793	3,690	9,522	3,121	(11.8)	(15.4)
<b>Total for ROSSETI SDCs</b>	<b>31,946</b>	<b>32,433</b>	<b>22,346</b>	<b>30,843</b>	<b>19,430</b>	<b>32,819</b>	<b>(13.0)</b>	<b>6.4</b>

Due to restrictions on the tariff growth rate, the financing of the capex program was decreased to 240.1 billion rubles.

### Principal Financing Sources for the Capital Investment Program in 2014

<sup>2</sup> Information on commissioned production facilities is according to Appendices 6.3 “Report on FGC UES Commissioned/Decommissioned Facilities” sent by FGC UES to the Ministry of Energy of the Russian Federation under Resolution of the Government of the Russian Federation No. 977 of December 1, 2009.



In 2014, the principal areas of financing were network connection (34.1%), technical upgrading and rehabilitation (29.4%), and new construction (24.4%).

#### Areas and Breakdown of Financing Under ROSSETI SDCs' Consolidated Investment Program, million rubles (inclusive of VAT)

Areas of Financing	2013		2014	
	Amount	Percentage	Amount	Percentage
Network connection	75,739	24.2%	81,887	34.1%
Technical upgrading and rehabilitation	98,714	31.5%	70,525	29.4%
New construction	96,437	30.8%	58,612	24.4%
Other	42,560	13.6%	29,113	12.1%
<b>Total</b>	<b>313,449</b>	<b>100.0%</b>	<b>240,137</b>	<b>100.0%</b>

#### Priority Projects Under the Capital Investment Program. Planned Completion Dates

517 priority investment projects are scheduled to be carried out in 2014–2019. They meet the criteria for qualifying as priority investment projects of ROSSETI's subsidiaries and dependent companies and include 165 investment projects for transmission grids (FGC UES) and 352 investment projects for distribution grids

#### Major Priority Projects Completed by the ROSSETI Group in 2014

SDCs	Project
<b>IDGC of Centre</b>	Completed construction of SS 110 kV Kreyda with 50 MVA commissioned, retaining an electricity supply for existing customers in Belgorod during the rehabilitation of SS 330 kV Belgorod, building a new main substation, increasing electricity consumption, and securing a more reliable electricity supply. The value of commissioned capital assets is 280.44 million rubles
<b>Kubanenergo</b>	Completed construction of OL 110 kV from Kirillovskaya to Vostochnaya with a branch line to SS Penayskaya and OL 110 kV from Vostochnaya to Proletariy with a branch line to SS Penayskaya, securing an uninterrupted electricity supply for facilities of Ministry of Defense of the Russian Federation

<b>IDGC of Northern Caucasus</b>	Completed rehabilitation of more than 120 kilometers of 110-kV overhead lines, reducing the risks of the 2014/15 heat deficit period and taking measures to reduce the risk of power outages in high-risk areas as approved by the Ministry of Energy of the Russian Federation
<b>MOESK</b>	Completed rehabilitation of SS 110/10 kV Avtozavodskaya (MOESK), securing an uninterrupted electricity supply for industrial producers and households in Moscow's districts Nagatino-Sadovniki, Pechatniki, and Nagatinsky Zaton
	Completed rehabilitation of SS 110/10 kV Odintsovo, increasing capacity to 326 MVA to secure an electricity supply for new residential areas in Odintsovo
<b>IDGC of Volga</b>	Completed construction of SS 110/10 kV Aeroport, providing network connection for airport facilities in Saratov
<b>IDGC of Center and Volga Region</b>	Completed construction of SS 110 kV Strelka with main PL 110 kV, solving the electricity shortage and securing a more reliable electricity supply for Nizhni Novgorod, including by enabling new customers to obtain electricity connections under the Housing national project and providing an electricity supply for a 45,000-seat stadium
	Completed construction of PL 110 kV from Novogorkovskaya CHPP to Kudma-2.3, aimed at delivery of capacity from Novogorkovskaya CHPP
<b>IDGC of Siberia</b>	Completed construction of SS 110/10 kV Solnechnaya Polyana, securing a reliable electricity supply for customers in the Lenisky District and the Industrialny District of Barnaul
	Completed construction of OL 110 kV from Zabaykalsk to Priargunsky Industrial Mining and Chemical Union CHPP, providing network connection for electric grid facilities of Russian Railways under the project to electrify the Zabaykalsk Railway's section from Karymskaya Station of the Trans-Siberian Railroad to the Chinese border (Zabaykalsk Station)
<b>FGC UES</b>	Completed construction of external electricity supply facilities for the Eastern Siberia-Pacific Ocean oil pipeline of Transneft (Pump Stations 11, 15, and 19) in the Far Eastern Federal District
	Completed construction of SS 500 kV Svyatogor (Phase 1) with branch lines of OL 500 kV and 220 kV, providing network connection for electrical installations of Transneft and Gazprom in the Yamalo-Nenets Autonomous District
	Completed construction of facilities, aimed at delivery of capacity from Beloyarsk NPP-2 and Rostov NPP (Power Unit 3)
	Completed construction of an important intersystem facility (OL 500 kV from Krasnoarmeyskaya to Gazovaya with the extension of SS 500 kV Krasnoarmeyskaya and SS 500 kV Gazovaya), securing the reliability of the Unified National (All-Russian) Electric Grid
	Completed construction of OL 220 kV from Urengoyskaya TPP to Mangazeya 1, 2, performed under a contract with Transneft
	Completed construction of OL 220 kV from Nyagan TPP to Kartopya, aimed at delivery of capacity from Nyagan TPP

## Major Priority Projects Scheduled for Completion in 2015

### Transmission grids (FGC UES):

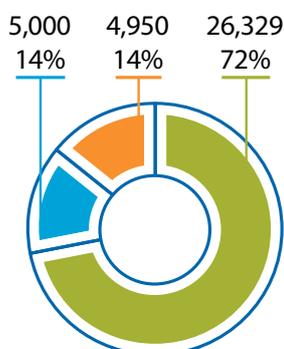
- Delivery of capacity from Leningrad NPP-2, Novovoronezh NPP-2, Nizhne-Bureyskaya HPP, Zelenchukskaya HPP-PSPP, etc.
- Electricity supply facilities in the Crimean Federal District.

### Distribution grids:

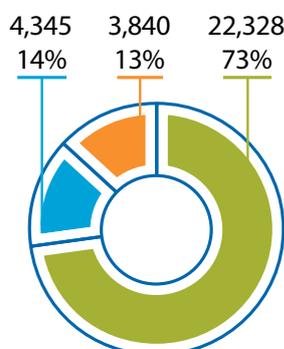
- Network connection for facilities of large and socially important electricity consumers (Rosneft, Gazprom, Oboronenergo, New Moscow, Skolkovo Innovation Center, etc.).
- Delivery of capacity from Gotsalinskaya HPP, Chelyabinsk TPP, Novovoronezh NPP, etc.

## Capital Investment Projects Financed from the Federal Budget. Planned Completion Dates

Received Federal Budget Funds  
(million rubles)



Spent Federal Budget Funds  
(million rubles)



- Program of the Construction of Olympic Games Sites
- Program to Renew Cable Lines of 6–110 kV in St. Petersburg
- Comprehensive Program of Measures to Reduce Above-standard Electricity Losses

- Program of the Construction of Olympic Games Sites
- Program to Renew Cable Lines of 6–110 kV in St. Petersburg
- Comprehensive Program of Measures to Reduce Above-standard Electricity Losses

## Completed Program of the Construction of Olympic Games Sites and Proposals for the Future Use of Federal Budget Funds

Under the Program of the Construction of Olympic Games Sites, 21 sites were built and put into operation, including:

- 747 kilometers of cable and overhead lines;
- 412 transformer substations and distribution substations;
- 5 substation facilities with total capacity of 290 MVA;
- commissioning permits granted by the Ministry of Regional Development of the Russian Federation.

Distribution of saved federal budget funds:

- In 2009–2012, federal budget funds totaling 26,329 million rubles were contributed to the share capital of the Company and Kubanenergo, of which 22,351 million rubles were spent. The completed construction resulted in 3,978 million rubles of saved funds.
- ROSSETI submitted to the Ministry of Energy of the Russian Federation a proposal to redistribute these funds by amending the Federal Law on the Budget for 2015 and sent the relevant draft law.

- Proposals to finance Kubanenergo’s long-term capital investment projects from the saved funds were submitted for consideration by the Ministry of Energy of the Russian Federation.

### Program to Renew Cable Lines of 6–110 kV in Saint Petersburg

In 2014, ROSSETI successfully completed all facilities under the Program in accordance with the agreements with the Ministry of Energy of the Russian Federation to allocate federal budget funds for the implementation of the Program.

The total length of lines built with federal budget funds is 74 kilometers. Expenses totaled 5,754 million rubles, including 4,472 million rubles allocated from the federal budget.

The completed construction of facilities under the Program resulted in 528 million rubles of saved federal budget funds (with 5 billion rubles allocated).

The mechanism for redistributing the saved federal budget funds was prepared in collaboration with and agreed upon by the Ministry of Energy of the Russian Federation for the Program’s facilities that were initially constructed in Kronshtadt by LENENERGO using its own resources. The Board of Directors of LENENERGO approved the supplementary agreement to supervise the implementation of the Program, taking into account the redistribution of the saved budgetary investments.

In 2015, after LENENERGO completes control measures to assess the completeness, reliability, and quality of the design, construction, and installation of the Program’s facilities in Kronshtadt, the remaining funds will be redistributed under the Program in accordance with the purpose of federal budget funds.

### Comprehensive Program of Measures to Reduce Above-standard Electricity Losses in Distribution Networks in the North Caucasus

With the aim of reducing commercial electricity losses in networks of IDGC of Northern Caucasus in the regions of its operations, the Company carries out the Comprehensive Program of Measures to Reduce Above-standard Electricity Losses. Budgetary investments of 4,950 million rubles were allocated for its implementation. The Program specifies measures to build and modernize electricity metering systems. Detailed information about spent federal budget funds by Program entity is shown in the table below:

Region (Program Entity)	Received (million rubles)	Balance (million rubles)
Chechen Republic	1,675	428
Republic of Ingushetia	580	46
Republic of Dagestan	2,695	635
<b>Total</b>	<b>4,950</b>	<b>1,110</b>

The Ministry of Energy of the Russian Federation approved the capital investment program of IDGC of Northern Caucasus for 2015–2019, providing for the completion of facilities under the Comprehensive Program in the following order:

- 1st quarter of 2015 in the Republic of Ingushetia
- 4th quarter of 2015 in the Chechen Republic
- 1st quarter of 2016 in the Republic of Dagestan

The program implementation in the Republic of Ingushetia is currently nearing completion, namely: construction and installation were 100% completed; all costs under the project were calculated and entered into the books; a full package of as-built documentation was prepared; the taking of meter readings reached the design level in the 1st quarter of 2015 (95%); the test operation of the system was completed; nonconformities found by the Working Commissions were corrected. Work is underway to put the system into commercial operation.

Equipment at facilities in the Chechen Republic was installed in full; the precommissioning of the system is underway; work is underway to prepare and approve as-built documentation. In the Republic of Dagestan, work is underway on construction and installation.

Detailed information as of January 1, 2015, by Program entity is shown in the table below:

Region (Program Entity)	Planned Electricity Meter Installation Under Design and Estimate Documents (pcs.)	Actually Installed Electricity Meters (pcs.)					
		Entered into the Books Under Certificates of Work Completion and Certificates of the Value of Work Completed and Costs Incurred	%	Entered into the Database of the System	%	Integrated into the System	%
Chechen Republic	137,992	133,308	97	137,992	100	104,422	76
Republic of Ingushetia	45,408	45,408	100	45,408	100	41,111	91
Republic of Dagestan	452,816	322,090	71	403,029	89	270,556	60
<b>Total</b>	<b>636,216</b>	<b>500,806</b>	<b>79</b>	<b>587,132</b>	<b>92</b>	<b>416,089</b>	<b>65</b>

In 2014, ROSSETI collaborated with the Ministry of Energy of the Russian Federation in deciding on the possibility of forming 100% of electricity balances. The integrated metering system has the necessary functionality, including the possibility of integrating with electricity meters not covered by the Comprehensive Program from IDGC of Northern Caucasus's 1C accounting system, using the required security level, and the possibility of generating virtual balancing meters.

The completion of facilities under the Comprehensive Program in the Republic of Ingushetia and the Chechen Republic is scheduled for 2015.

### Information on Long-Range Activities of the Special Projects Division

At present, the Special Projects Division is active in preparing long-range projects and obtain approval for them from executive authorities. It is planned that these projects as described below will be fully or partly financed from the federal budget.

### Construction and Rehabilitation of the Power Supply Infrastructure for Facilities of the 2018 FIFA World Cup and the 2017 FIFA Confederations Cup

As decided in 2014 by the operation headquarters for the preparation of electric power facilities used for the 2018 FIFA World Cup, ROSSETI received from the Ministry of Energy of the Russian Federation the external electricity supply scheme for World Cup sites updated by Energosetproekt Institute.

The external electricity supply scheme provided the basis for drawing up a list of 20 measures related to the construction and rehabilitation of electric grid facilities in 7 cities within the responsibility of 5 ROSSETI SDCs. These measures should be carried out before the end of 2017.

The Program of Preparations for the 2018 FIFA World Cup in Russia provides for 11 measures to be implemented in 6 cities, using federal budget funds of 6.8 billion rubles.

In 2014, ROSSETI SDCs used their own funds to put into operation 3 facilities:

- IDGC of Center and Volga Region in Nizhni Novgorod: construction of 110-kV Strelka Substation with a 110-kV main power line.
- IDGC of Volga: rehabilitation of 110/6-kV Tsentralnaya Substation (replacement of 110-kV outdoor switchgear and 6-kV factory-assembled outdoor switchgear; replacement of supply transformers by 2x25 MVA).
- IDGC of South in Volgograd: 110/6-kV Tsentralnaya Substation (replacement of 6-kV module at Pravoberezhnye Electricity Networks of Volgogradenergo, a branch of IDGC of South).

It is planned to implement a package of measures in 2015 to obtain approval for design documents, perform construction and installation work, and receive federal budget funds of 1.5 billion rubles.

### **Comprehensive Development Programs for Electricity Networks in the North Caucasian Federal District**

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The programs were approved by the Management Board of ROSSETI. Facilities are located in all 7 constituent entities of the North Caucasian Federal District.

The estimated value is 82.83 billion rubles, including 38.8 billion rubles of IDGC of Northern Caucasus's and FGC UES's own funds and 44.03 billion rubles of federal budget funds.

The programs received approval from all constituent entities of the North Caucasian Federal District. The Company approached the Ministry of North Caucasus Affairs of the Russian Federation and the Ministry of Energy of the Russian Federation about supporting the programs from the federal budget and/or regional budgets.

After the technical feasibility of the Comprehensive Development Programs in the North Caucasian Federal District is confirmed in 2015, the Special Projects Division of ROSSETI plans to prepare and submit to federal executive authorities an application for the allocation of federal budget funds for the implementation of the Comprehensive Development Programs in the North Caucasian Federal District in accordance with the Rules for Examining the Efficiency of Using Federal Budget Funds for Capital Investment Projects approved by Resolution of the Government of the Russian Federation No. 590 of August 12, 2008.

### **Comprehensive Modernization and Development Program for Electricity Networks in the Kaliningrad Region (hereinafter, the "Kaliningrad Region Comprehensive Program")**

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The formulation of the Kaliningrad Region Comprehensive Program takes account of the need to carry out the Action Plan (Road Map) "On Securing the Power Supply for the Kaliningrad Region and the Russian Northwest Integrated Power System."

Jointly with Yantarenergo, ROSSETI developed the Comprehensive Development Program for Electricity Networks in the Kaliningrad Region for 2014–2022. Yantarenergo is currently preparing an application and supporting documents for the allocation of federal budget funds for the implementation of the Kaliningrad Region Comprehensive Program.



# 3

## Corporate Governance

- 01 > Role of Governance in Implementing the Development Strategy of the Company
- 02 > Management and Control Bodies
- 03 > Internal Control, Audit and Risk Management



## SECTION 3. CORPORATE GOVERNANCE

### Results for 2014

The Board of Directors of ROSSETI held 33 meetings (8 in person and 25 in absentia), considering 186 issues falling within its competence and relating to the Company's activities

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ROSSETI developed the Action Plan (Road Map) to Introduce the Corporate Governance Code into the Activities of the Company

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## Role of Governance in Implementing the Development Strategy of the Company

### Basic Principles and Structure of Governance

The formulation of the sustained development strategy and supervision over its implementation are ensured by the Company's governance system. ROSSETI's governance system is in accordance with the Russian applicable laws, the Articles of the Association and internal documents of the Company, and the Company's obligations associated with the trading of securities in global stock markets. ROSSETI also applies global best practices in governance.

### Principal Goals and Objectives of ROSSETI's Governance

- ensure the unconditional, timely, and complete exercise of the legitimate rights and interests of all shareholders of the Company
- develop efficient interaction between the Company and its SDCs to develop and improve the reliability of the electric grid sector and increase the market value of ROSSETI and its subsidiaries and dependent companies
- enhance the transparency of decisions made by management bodies, maximize the disclosure of information about the Company's activities, and improve the governance system of ROSSETI
- constantly improve the mechanisms for relations between the Company and shareholders, securities holders, and potential investors with due consideration to the Company's obligations to third parties
- improve the existing forms and methods and develop new forms and methods for maintaining relations with shareholders to facilitate the exercise of their rights, and develop advanced means of communication for shareholder relations

ROSSETI guarantees that its shareholders will exercise all of their rights provided by Russian laws, the Articles of Association, and internal documents of the Company in relation to the placement and trading of shares and other securities of the Company and other obligations assumed by the Company in accordance with international best practices.

The Strategy for Development of the Electric Grid Sector of the Russian Federation approved by Ordinance of the Government of the Russian Federation No. 511-r of April 3, 2013, specifies that ROSSETI performs the following principal functions: strategic functions, coordinating and controlling functions, accomplishment of institutional goals faced by the entire industry, and participation in the consolidation of territorial grid organizations with the aim of ensuring the necessary reliability and quality of the power supply for customers

With the strategic goals faced by the Company, given that the Company is corporately organized as a group, in order to protect the rights and legitimate interests of the Company's shareholders, ROSSETI's priority is to successfully and effectively conduct the core activities specified in the Articles of Association of the Company. In accordance with paragraph 3.2 of the Articles of Association of ROSSETI, the Company's core activities include exercising the rights of a shareholder (member) of the economic entities whose shares (stakes) are held by the Company.

## Governance with respect to subsidiaries and dependent companies (SDCs) is important to the Company

**As at December 31, 2014,  
the Company was:**

- a shareholder of 42 open joint-stock companies
- a member of one limited liability company
- a member of five not-for-profit organizations (nonprofit partnerships)

**ROSSETI has a shareholding of more than  
20% in 41 joint-stock companies**

□ Detailed information about the internal documents governing the Company's governance system can be found on the corporate website at [http://www.rosseti.ru/investors/info/charter\\_and\\_internal\\_documents/](http://www.rosseti.ru/investors/info/charter_and_internal_documents/)

Holding a controlling interest in most SDCs enables the Company to:

- elect a majority of representatives to the boards of directors of most SDCs and control the most important decisions adopted by the boards of directors of SDCs with respect to SDCs' core activities,
- control the decisions adopted by the general meetings of shareholders of most SDCs with respect to key issues,
- elect the internal audit commissions of SDCs with the composition that ensures control on the part of ROSSETI,
- appoint the sole executive bodies of SDCs by causing the boards of directors of SDCs to adopt the relevant decisions.

ROSSETI employs corporate methods to influence the decisions made by SDCs' management bodies in accordance with corporate best practices and governance standards and considers it necessary to use effective governance for attaining the success of the financial and economic activities of the Company and its SDCs and making them more attractive to investors

The key mechanisms and principles that underlie governance with respect to SDCs are defined by the Articles of Association of the Company, the Procedure for Interaction of ROSSETI with the Economic Entities Whose Shares (Stakes) Are Owned by the Company (hereinafter, the "Interaction Procedure"), and other internal documents of ROSSETI.

In addition, in order to introduce a unified approach and standardize the governance system, the Company develops model internal documents for SDCs in various areas; such documents are methodological in nature and are recommended for use by SDCs.

Governance with respect to SDCs is effected through the Company's representatives in the management bodies (boards of directors and general meetings of shareholders) and control bodies (internal audit commissions) of SDCs

In accordance with the Articles of Association of ROSSETI and the Interaction Procedure, the Company's management bodies define the position of its representatives on items put to a vote at general meetings of shareholders and boards of directors of SDCs.

The Articles of Association of the Company and the Interaction Procedure list the most important agenda items of general meetings of shareholders and meetings of boards of directors of SDCs, which agenda items require decisions of the Company's Board of Directors.

**Such key agenda items include:**

- Defining agendas of general meetings of shareholders (members) of SDCs
- reorganizing or liquidating SDCs
- determining the number of members of boards of directors of SDCs, nominating and electing such members, deciding on early termination of their powers

The uniform corporate administration standards make it possible to create an integrated legal environment in the Company, achieve common strategic goals, and contribute to streamlining the work of management and control bodies of electric grid companies and reducing general administration costs

Based on the Model Regulations for the Internal Audit Commission developed by ROSSETI for ROSSETI's subsidiaries and dependent companies, the annual general meetings of shareholders of ROSSETI's subsidiaries and dependent companies approved the regulations for the internal audit commissions of SDCs in 2014.

Updating the regulations for the internal audit commissions of ROSSETI SDCs was necessitated by unifying the approaches and requirements applicable to the work of the internal audit commissions of the Company's SDCs and by taking into account the existing provisions of SDCs' articles of association, legal requirements, and recommendations of the Federal Agency for State Property Management of the Russian Federation.

In 2014, the Company formulated the Model Regulations for the Audit Committee of the Board of Directors for ROSSETI's subsidiaries and dependent companies, taking into account recommendations of the Federal Agency for State Property Management of the Russian Federation with respect to the organization of activities of the audit committee of the board of directors of a government-linked joint-stock company and the provisions of the Corporate Governance Code approved by the Board of Directors of the Bank of Russia on March 21, 2014. Based on the Model Regulations for the Audit Committee of the Board of Directors for SDCs, the boards of directors of SDCs approved the regulations for the audit committees of the boards of directors of SDCs.

Based on the Model Internal Audit Policy, the Model Internal Control Policy, and the Model Risk Management Policy developed by ROSSETI for its subsidiaries and dependent companies, the boards of directors of subsidiaries and dependent companies approved the equivalent documents in 2014.

For the purposes of controlling financial and economic activities of SDCs and complying with governance procedures, the Company's representatives also take part in the work of internal audit commissions of SDCs.

In view of the foregoing and pursuant to the Federal Law "On Joint-Stock Companies," by virtue of a controlling interest in SDCs (i.e. as part of using governance methods to exercise the rights of a shareholder of SDCs), ROSSETI is able to determine the decisions adopted by SDCs' management bodies (through its representatives on the boards of directors of SDCs) and influence SDCs' activities.

Additionally, ROSSETI representatives are elected to SDCs' control bodies, namely the internal audit commissions of SDCs.

The Company, together with SDCs, continues to constantly improve the governance system based on Russian and international standards and best practices in building corporate relations

For instance, the Company discloses on its corporate website before the Annual General Meeting of Shareholders the draft of the Company's Annual Report in Russian and English, and prepares and publishes information on the professional background of nominees for election to the Board of Directors and the Internal Audit Commission of the Company.

The Company ensures that IFRS interim financial statements are prepared and published on its corporate website.

The Company ensures that Russian-language information required to be disclosed under Russian laws is translated into English.

The Company prepares and posts on its corporate website the corporate social responsibility and sustainability report.

In the course of electing members of the committees of the Board of Directors of ROSSETI, the Company strives to ensure that the membership of the committees is properly balanced to ensure that different groups of shareholders take an active part in discussing the decisions made by the Board of Directors.

The Company strives to ensure that the Action Plan of the Company's Board of Directors provides for holding in-person meetings of the Board of Directors on a regular basis.

Improving both the efficiency of the management of government-linked companies on the part of the government and the efficiency of the operations of such companies will, in the next three years, require their corporate practices to be aligned with the Corporate Governance Code approved by the Government of the Russian Federation on February 13, 2014, and recommended by the Bank of Russia for use by joint-stock companies whose shares are admitted to regulated trading.

## Improvement of the Governance System

The following principles underlie the Company's governance:

<b>Accountability</b>	The Corporate Governance Code provides for accountability of the Board of Directors of the Company to all shareholders in accordance with the applicable laws of the Russian Federation and serves as guidance for the Board of Directors in the strategy development and governance of and control over the activities of the executive bodies of the Company
<b>Fairness</b>	The Company shall protect shareholder rights and ensure the equitable treatment of all shareholders. The Board of Directors shall provide all shareholders with effective protection if their rights are violated.
<b>Transparency</b>	The Company shall disclose reliable information on all material facts related to its activities, including on its financial standing, performance, ownership and governance structure of the Company, in due time and provide free access to such information for all stakeholders.
<b>Responsibility</b>	The Company shall recognize its responsibility to shareholders.

On February 13, 2014, the Government of the Russian Federation approved the Corporate Governance Code as a recommendatory document. The Code was approved by the Board of Directors of the Bank of Russia on March 21, 2014, and recommended by the Bank of Russia (Letter No. 06-52 of April 10, 2014) for implementation by joint-stock companies whose shares are admitted to regulated trading.

As resolved by the Board of Director of the Company (Minutes of the Meeting No. 164 of September 10, 2014):

- the Company compared its governance standards and practices and the key provisions of the Corporate Governance Code (hereinafter, the “Code”) and assessed potential risks associated with introducing the provisions of the Code into the Company’s activities;
- based on the analysis, the Company formulated the action plan to introduce the key provisions of the Code into the Company (hereinafter, the “road map”).

The draft of the road map, along with the results of analyzing governance practices and the risk assessment with respect to introducing the Code, were submitted to the Ministry of Energy of the Russian Federation and the Federal Agency for State Property Management of the Russian Federation.

In March 2015, the Board of Directors approved the Action Plan (Road Map) to Introduce the Corporate Governance Code into the Activities of the Company (Minutes of the Meeting No. 179 of March 10, 2015)

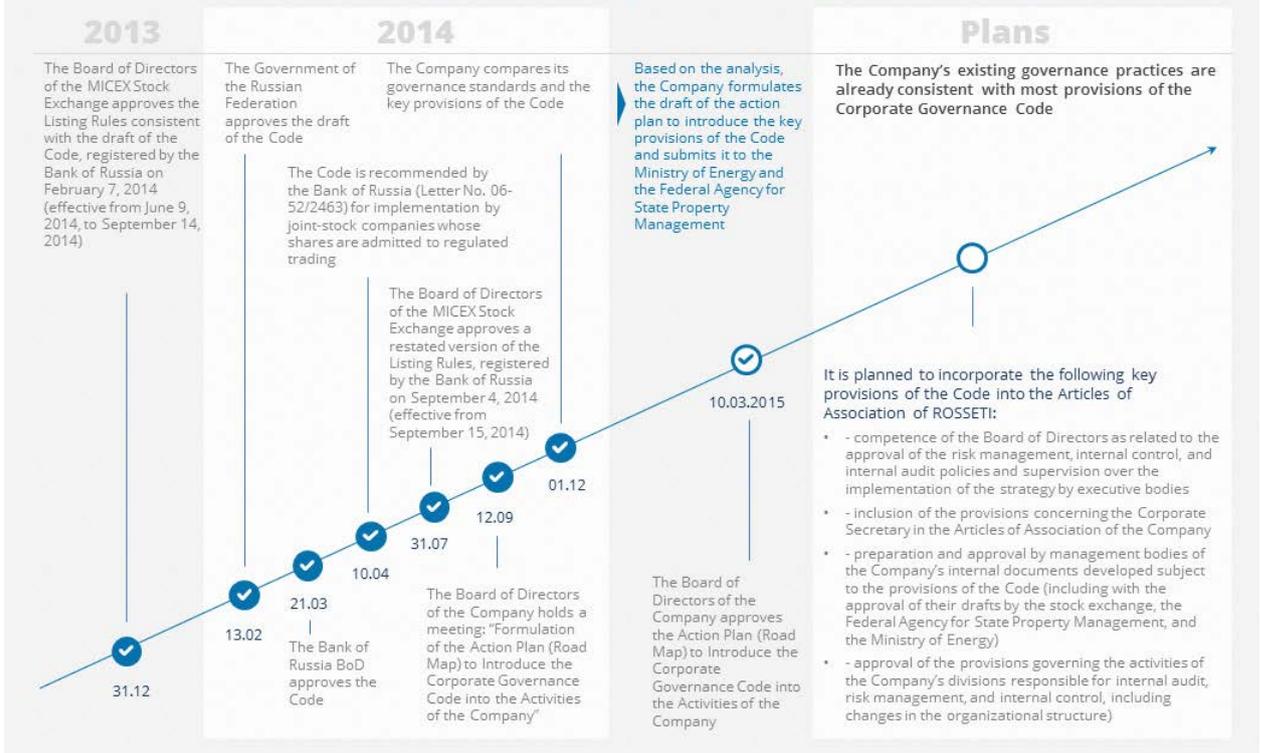
In accordance with the approved road map, the Company plans to update the Articles of Association and some internal documents to bring their provisions into line with the Code.

Overall, it should be noted that the Company’s governance strategy was reflected in the road map approved by the Board of Directors of the Company in March 2015.

ROSSETI also plans to explore the possibility of engaging a Russian rating agency to assign a national corporate governance rating to the Company.

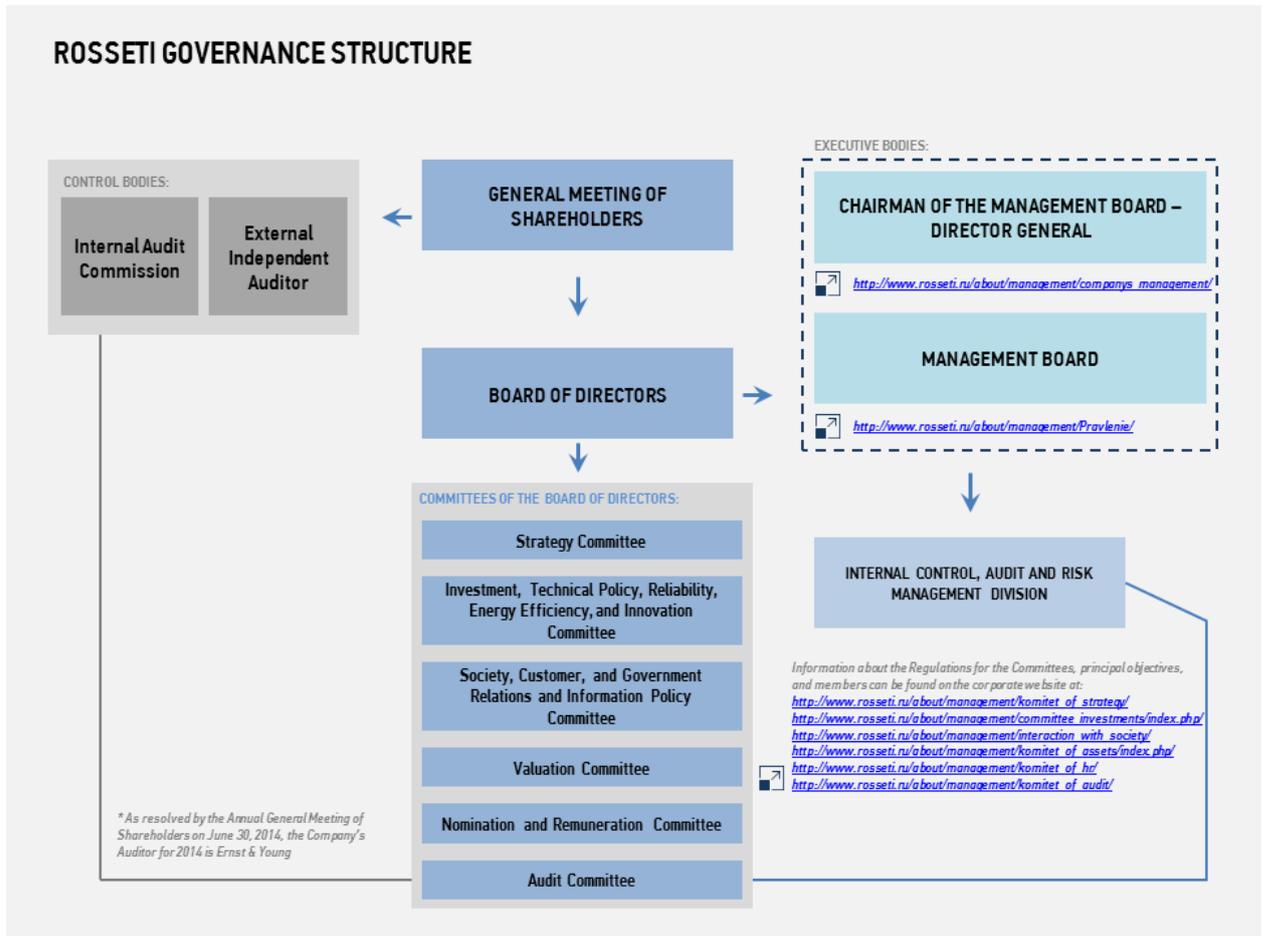
## Corporate Governance Code: History and Introduction

In accordance with Directive of the Government of the Russian Federation No. 5667p-P13 of September 2, 2014, concerning the introduction of the provisions of the Code into the activities of government-linked organizations, the Company carries out the following measures:





## Management and Control Bodies



Management Bodies (Number of Members)	Competence	Articles of Association and Internal Documents	Frequency of Meetings	Form of the Meeting
<b>General Meeting of Shareholders</b>	<ul style="list-style-type: none"> <li>election of members of the Board of Directors and the Internal Audit Commission of the Company;</li> <li>approval of annual reports and annual financial statements of the Company;</li> <li>distribution of profits and losses of the Company based on the results of the financial year</li> <li>payment (declaration) of dividends based on the results of the financial year;</li> <li>approval of the Company's Auditor;</li> <li>amendments and supplements to the Articles of Association or approval of a restated version of the Articles of Association;</li> <li>approval of internal documents governing the activities of the Company's bodies;</li> <li>increase/decrease in the Company's authorized capital;</li> <li>reorganization/liquidation of the Company.</li> </ul> <p>The issues falling within the competence of the General Meeting of Shareholders may not be delegated to executive bodies of the Company.</p> <p>The issues falling within the competence of the General Meeting of Shareholders may not be delegated to the Board of Directors, except where otherwise provided for in the Federal Law "On Joint-Stock Companies."</p> <p>The General Meeting of Shareholders shall not be entitled to discuss or adopt decisions on any issues falling beyond its competence as specified in the Federal Law "On Joint-Stock Companies."</p>	<ul style="list-style-type: none"> <li>Russian laws</li> <li>Articles of Association</li> <li>Regulations for the General Meeting of Shareholders</li> </ul>	<p>The Annual General Meeting of Shareholders of the Company shall be held not earlier than two months and not later than six months after the end of the financial year.</p> <p>The Extraordinary General Meeting of Shareholders shall be convened by the Board of Directors.</p>	<p>Meeting with voting in person (in-person meeting) or voting in absentia</p>
<b>Board of Directors</b>	<p>The competence of the Company's Board of Directors shall include the general management of the Company's activities except for any issues that, in accordance with the Federal Law "On Joint-Stock Companies" and the Articles of Association of the Company, fall within the competence of the General Meeting of Shareholders.</p> <p>The issues falling within the competence of the Board of Directors of the Company may not be delegated to executive bodies of the Company.</p>	<ul style="list-style-type: none"> <li>Russian laws</li> <li>Articles of Association</li> <li>Regulations for the Board of Directors</li> </ul>	<ul style="list-style-type: none"> <li>in accordance with the schedule of meetings;</li> <li>at the discretion of the Chairman;</li> <li>at the written request of any member of the Board of Directors, the Internal Audit Commission, the Director General, or the Auditor.</li> </ul>	<p>In-person meeting</p> <p>Voting in absentia</p>
<b>COMMITTEES OF THE BOARD OF DIRECTORS</b>				
<b>Audit Committee</b>	<ul style="list-style-type: none"> <li>preparing recommendations regarding a nominee for the external auditor;</li> <li>monitoring the preparation of or preliminarily reviewing accounting (financial) statements;</li> <li>assessing the efficiency of the internal control system and preparing proposals for its improvement.</li> </ul>	<ul style="list-style-type: none"> <li>Russian laws</li> <li>Articles of Association</li> <li>Regulations for the Board of Directors</li> <li>Regulations for the Audit Committee</li> </ul>	<ul style="list-style-type: none"> <li>in accordance with the schedule of meetings,</li> <li>at the discretion of the Chairman of the Committee, as resolved by the Board of Directors, at the request of the Internal Audit Commission, at the discretion of a member of the Committee, at the request of the Director General, at the request of the external auditor</li> </ul>	<p>In-person meeting</p> <p>Voting in absentia</p>
<b>Strategy Committee</b>	<ul style="list-style-type: none"> <li>preparing recommendations for the Board of Directors for the implementation of the Company's priority lines of development;</li> <li>monitoring the implementation of the priority lines of development;</li> <li>analyzing proposals and developing recommendations for the Board of Directors for the preparation of standards for formulating development plans for subsidiaries.</li> </ul>	<ul style="list-style-type: none"> <li>Russian laws</li> <li>Articles of Association</li> <li>Regulations for the Board of Directors</li> <li>Regulations for the Strategy Committee</li> </ul>	<ul style="list-style-type: none"> <li>in accordance with the schedule of meetings,</li> <li>in accordance with the notice received from the Secretary of the Board of Directors,</li> <li>at the discretion</li> </ul>	<p>In-person meeting</p> <p>Voting in absentia</p>

				of the Chairman of the Committee, as resolved by the Board of Directors, as resolved by the Committee, at the discretion of a member of the Committee	
<b>Nomination and Remuneration Committee</b>	<ul style="list-style-type: none"> <li>defining selection criteria for nominees for the Management Board and the Director General of the Company;</li> <li>defining the terms and conditions of employment contracts with members of the Management Board, and the Director General of the Company;</li> <li>preparing recommendations for remuneration for members of management and control bodies;</li> <li>formulating recommendations for the formation of the personnel reserve of the Company and SDCs.</li> </ul>	<ul style="list-style-type: none"> <li>Russian laws</li> <li>Articles of Association</li> <li>Regulations for the Board of Directors</li> <li>Regulations for the Nomination and Remuneration Committee</li> </ul>	<ul style="list-style-type: none"> <li>in accordance with the schedule of meetings,</li> <li>in accordance with the notice received from the Secretary of the Board of Directors,</li> <li>at the discretion of the Chairman of the Committee, as resolved by the Board of Directors, as resolved by the Committee,</li> <li>at the request of the Chairman of the Board of Directors, at the request of a member of the Committee, at the request of the Internal Audit Commission, and at the request of the Director General</li> </ul>	<p>In-person meeting</p> <p>Voting in absentia</p>	
<b>Valuation Committee</b>	<ul style="list-style-type: none"> <li>supervising activities related to the appraisal of assets for the Company and SDCs;</li> <li>engaging independent experts to advise on the issues falling within the competence of the Committee.</li> </ul>	<ul style="list-style-type: none"> <li>Russian laws</li> <li>Articles of Association</li> <li>Regulations for the Board of Directors</li> <li>Regulations for the Valuation Committee</li> </ul>	<ul style="list-style-type: none"> <li>in accordance with the schedule of meetings,</li> <li>in accordance with the notice received from the Secretary of the Board of Directors,</li> <li>at the discretion of the Chairman of the Committee, as resolved by the Board of Directors, as resolved by the Committee,</li> <li>at the request of the Chairman of the Board of Directors, at the request of a member of the Committee, at the request of the Internal Audit Commission, and at the request of the Director General</li> </ul>	<p>In-person meeting</p> <p>Voting in absentia</p>	
<b>Investment, Technical Policy, Reliability, Energy Efficiency, and Innovation Committee</b>	<ul style="list-style-type: none"> <li>formulating recommendations for the Company's Board of Directors with respect to the implementation of the investment and technical policies, reliability assurance, energy efficiency, and innovative development of the Company;</li> <li>monitoring the implementation of the consolidated investment program, the Annual Comprehensive Procurement Program with respect to large investees, the Innovative Development Program, the Energy Conservation and Energy Efficiency Enhancement Program, and the Regulations for the Uniform Technical Policy.</li> </ul>	<ul style="list-style-type: none"> <li>Russian laws</li> <li>Articles of Association</li> <li>Regulations for the Board of Directors</li> <li>Regulations for the Investment, Technical Policy, Reliability, Energy Efficiency, and Innovation Committee</li> </ul>	<ul style="list-style-type: none"> <li>in accordance with the schedule of meetings,</li> <li>in accordance with the notice received from the Secretary of the Board of Directors,</li> <li>at the discretion of the Chairman of the Committee, as resolved by the Board of Directors, as resolved by the</li> </ul>	<p>In-person meeting</p> <p>Voting in absentia</p>	

			<ul style="list-style-type: none"> <li>Committee,</li> <li>at the request of a member of the Committee</li> </ul>	
<b>Society, Customer, and Government Relations and Information Policy Committee</b>	<ul style="list-style-type: none"> <li>formulate recommendations for the Board of Directors of the Company with respect to implementing the uniform information policy;</li> <li>maintaining relations with governmental agencies and local government authorities;</li> <li>maintaining relations with civil society (including public organizations and movements, labor unions, and environmentalist associations);</li> <li>improving customer service quality.</li> </ul>	<ul style="list-style-type: none"> <li>Russian laws</li> <li>Articles of Association</li> <li>Regulations for the Board of Directors</li> <li>Regulations for the Society, Customer, and Government Relations and Information Policy Committee</li> </ul>	<ul style="list-style-type: none"> <li>in accordance with the schedule of meetings,</li> <li>in accordance with the notice received from the Secretary of the Board of Directors,</li> <li>at the discretion of the Chairman of the Committee, as resolved by the Board of Directors, as resolved by the Committee,</li> <li>at the request of a member of the Committee</li> </ul>	<p>In-person meeting</p> <p>Voting in absentia</p>
<b>Director General</b>	<p>The Company's day-to-day activities are managed by the Company's sole executive body (Director General) and the Company's collegial executive body (Management Board). The executive bodies are accountable to the Board of Directors of the Company and the General Meeting of Shareholders.</p> <p>The executive bodies of the Company organize the implementation of decisions adopted by the General Meeting of Shareholders and the Board of Directors of the Company.</p> <p>All issues related to the Company's day-to-day activities except for the issues falling within the competence of the General Meeting of Shareholders and the Board of Directors.</p>	<ul style="list-style-type: none"> <li>Russian laws</li> <li>Articles of Association</li> <li>Regulations for the Management Board</li> </ul>	<ul style="list-style-type: none"> <li>in accordance with the action plan and as and when necessary, but at least once a month</li> </ul>	<p>In-person meeting</p> <p>Voting in absentia</p>
<b>Management Board</b>				

## General Meeting of Shareholders

The highest management body of the Company is the General Meeting of Shareholders.

The procedure for convening and holding the General Meeting of Shareholders of ROSSETI is governed by the Regulations for the General Meeting of Shareholders approved by the Annual General Meeting of Shareholders on June 30, 2014.

-  In accordance with the Russian laws and the Company's internal documents, notices of the General Meeting of Shareholders are posted on ROSSETI's corporate website at <http://www.rosseti.ru>

On June 30, 2014, the Annual General Meeting of Shareholders of ROSSETI discussed the Company's performance results for 2013

In accordance with the laws, the Annual General Meeting of Shareholders approved the Annual Report and annual accounting statements of the Company, decided on the Company's profit distribution and payment of remuneration for serving on the Board of Directors to members of the Board of Directors other than those who hold public office for 2013, elected new members of the Board of Directors and Internal Audit Commission of the Company, and approved the Auditor to audit the Company's annual accounting statements for 2014.

The Annual General Meeting of Shareholders resolved not to pay dividends based on performance results in 2013 due to the received loss.

The Company's shareholders approved restated versions of internal documents taking account of changes in Russian laws, and global best practices in governance.

The General Meeting of Shareholders approved the liability insurance contract for directors and officers, which is a related party transaction.

- ☐ Detailed information about the General Meeting of Shareholders can be found on the corporate website at <http://www.rosseti.ru/about/management/meeting/>

## Board of Directors

The Board of Directors is the collegial body in charge of the general management of ROSSETI's activities. The Board of Directors is responsible for defining the Company's strategy, supervises executive bodies, and protects the rights and legitimate interests of the Company's shareholders.

The Board of Directors acts in accordance with the laws of the Russian Federation, the Articles of Association, the Corporate Governance Code, and the Regulations for the Board of Directors of the Company.

## Members of the Board of Directors

The members elected by the Annual General Meeting of Shareholders of the Company on June 28, 2013, served until June 30, 2014.

Name	Position <sup>1</sup>
Sergey Ivanovich Shmatko <b>Chairman of the Board of Directors</b>	Special Representative of the President of the Russian Federation on International Cooperation in the Electric Power Industry  Year of birth: 1966 Education: higher education, Candidate of Science (Engineering) Shares held in ROSSETI and ROSSETI SDCs: N/A
Oleg Mikhailovich Budargin	Director General, ROSSETI  Year of birth: 1960 Education: higher education, Candidate of Science (Economics) Shares held: 0.00064% of share capital of FGC UES (0.00064% of ordinary shares)
Stanislav Olegovich Ashirov	Director General, Mezhregionenergosbyt  Year of birth: 1973 Education: higher education, Candidate of Science (Economics) Shares held in ROSSETI and ROSSETI SDCs: N/A
Boris Ilyich Ayuyev	Chairman of the Management Board, SO UPS  Year of birth: 1957 Education: higher education Shares held: 0.005501% of share capital of ROSSETI (0.005572% of ordinary shares) and 0.007115% of share capital of FGC UES (0.007115% of ordinary shares)
Georgy Valentinovich Boos	President, Boos Lighting Group Management Company  Year of birth: 1963 Education: higher education, Candidate of Science (Engineering) Shares held in ROSSETI and ROSSETI SDCs: N/A
Vyacheslav Mikhailovich Kravchenko	Deputy Minister of Energy of the Russian Federation  Year of birth: 1967 Education: higher education Shares held in ROSSETI and ROSSETI SDCs: N/A
Denis Stanislavovich Morozov	Representative of the Russian Federation on the EBRD Board of Directors

<sup>1</sup> The positions specified are as of the time of election.

	Year of birth: 1973 Education: higher education, Candidate of Science (Economics) Shares held in ROSSETI and ROSSETI SDCs: N/A
Andrey Yevgenyevich Murov	Chairman of the Management Board, FGC UES Year of birth: 1970 Education: higher education, Doctor of Science (Economics) Shares held in ROSSETI and ROSSETI SDCs: N/A
Vasily Vladislavovich Nikonov	Director of the Energy Department, Rosneft Year of birth: 1972 Education: higher education Shares held: 0.007049% of share capital of ROSSETI and 0.0092% of share capital of FGC UES
Maria Valerievna Ochirova	Director of the Corporate Department, MMC Norilsk Nickel Year of birth: 1971 Education: higher education Shares held in ROSSETI and ROSSETI SDCs: N/A
Seppo Juha Remes	Director General, Kiuru Year of birth: 1955 Education: higher education, Ph.D. in Economics Shares held in ROSSETI and ROSSETI SDCs: N/A
Elena Borisovna Titova	Managing Director, UBS Bank Year of birth: 1967 Education: higher education, MBA Shares held in ROSSETI and ROSSETI SDCs: N/A
Ernesto Ferlenghi	Head of the Eni Representative Office in the Russian Federation and the CIS Year of birth: 1968 Education: higher education Shares held in ROSSETI and ROSSETI SDCs: N/A
Pavel Olegovich Shatsky	First Deputy Director General, Gazprom Energoholding Year of birth: 1972 Education: higher education Shares held: 0.000007% of share capital of ROSSETI (0.000001% of ordinary shares)
Andrey Nikolayevich Shishkin	Vice President, Rosneft Year of birth: 1959 Education: higher education, Candidate of Science (Economics) Shares held in ROSSETI and ROSSETI SDCs: N/A

On June 30, 2014, the Annual General Meeting of Shareholders of ROSSETI elected the following members of the Board of Directors:

<b>1. Sergey Ivanovich Shmatko</b>	<b>Chairman of the Board of Directors</b>
Year of birth	1966
Date of election to the Board of Directors of ROSSETI	June 30, 2014
Position as of the time of election	Special Representative of the President of the Russian Federation on International Cooperation in the Electric Power Industry
Education	Higher education, Candidate of Science (Engineering)

Major	Political Economics
<p>From June 2008 to May 2012, he was the Minister of Energy of the Russian Federation.</p> <p>In June 2012, pursuant to the Russian President's decree, he was appointed as a member of the Presidential Commission for Strategic Development of the Fuel and Energy Sector and Environmental Security of the Russian Federation.</p> <p>On June 1, 2013, pursuant to the Russian President's decree, Sergey Shmatko was appointed as the Special Representative of the President of the Russian Federation on International Cooperation in the Electric Power Industry.</p> <p>Chairman of the Supervisory Board of the Scientific and Technical Council of Unified Energy System; member of the Board of Directors of FGC UES.</p>	
Membership in the Committees of the Board of Directors of ROSSETI	N/A
Information on the independence of the member of the Board of Directors	<ul style="list-style-type: none"> <li>• Status of the director as of the time of nomination for election to the Board of Directors of the Company in 2014: representative of the Russian Federation.</li> <li>• In accordance with the Listing Rules of the MICEX Stock Exchange: not independent.</li> <li>• In accordance with the provisions of the Corporate Governance Code recommended by the Bank of Russia:<sup>2</sup> not independent.</li> </ul>
Stake held by the individual in the authorized capital of the issuer, %	none
Percentage of ordinary shares held by the individual in the issuer, %	none
Stakes held by the individual in the authorized (share) capital (unit trust) of the subsidiaries and dependent companies of the issuer	the individual does not hold such stakes
No transactions to acquire or transfer shares	

<b>2. Boris Ilyich Ayuyev</b>	<b>Member of the Board of Directors</b>
Year of birth	1957
Date of election to the Board of Directors of ROSSETI	June 30, 2014
Position as of the time of election	Chairman of the Management Board, SO UPS
Education	Higher education
Major	Power Plants

<sup>2</sup> In the Company's opinion.

<p>From 1998, he was a member of RAO UES of Russia project teams for the electric power industry reform.</p> <p>In 2002, he was appointed as the Deputy Chairman of the Management Board of System Operator – Centralized Dispatching Administration (SO – CDA).</p> <p>In 2004, he was elected as a member of the Management Board of RAO UES of Russia and the Chairman of the Management Board of SO – CDA (currently, System Operator of the United Power System (SO UPS)).</p> <p>Member of the Board of Directors: RusHydro, SO UPS; Chairman of the Russian National Committee of the Council on Large Electric Systems (CIGRE).</p>	
Membership in the Committees of the Board of Directors of ROSSETI	Chairman of the Investment, Technical Policy, Reliability, Energy Efficiency, and Innovation Committee
Information on the independence of the member of the Board of Directors	<ul style="list-style-type: none"> <li>• Status of the director as of the time of nomination for election to the Board of Directors of the Company in 2014: representative of the Russian Federation.</li> <li>• In accordance with the Listing Rules of the MICEX Stock Exchange: not independent.</li> <li>• In accordance with the provisions of the Corporate Governance Code recommended by the Bank of Russia:<sup>3</sup> not independent.</li> </ul>
Stake held by the individual in the authorized capital of the issuer, %	0.005501
Percentage of ordinary shares held by the individual in the issuer, %	0.005572
Stakes held by the individual in the authorized (share) capital (unit trust) of the subsidiaries and dependent companies of the issuer	<p>Full corporate name: Open Joint-Stock Company Federal Grid Company of Unified Energy System</p> <p>INN (Taxpayer Identification Number): 4716016979</p> <p>OGRN (Principal State Registration Number): 1024701893336</p> <p>Stake held by the individual in the authorized capital of the entity, %: 0.007115</p> <p>Percentage of ordinary shares held by the individual in the entity, %: 0.007115</p>

<b>3. Oleg Gennadyevich Barkin</b>	<b>Member of the Board of Directors</b>
Year of birth	1975
Date of election to the Board of Directors of ROSSETI	June 30, 2014
Position as of the time of election	Deputy Chairman of the Board, NP Market Council
Education	Higher education
Major	Applied Mechanics

<sup>3</sup> In the Company's opinion.

From 2003 to 2008, he was a member of the Management Board and Deputy Chairman of the Management Board of NP TSA UES.

From 2008, he is a member of the Board and Deputy Chairman of the Board of NP Market Council.

Membership in the Committees of the Board of Directors of ROSSETI	Member of the Strategy Committee, member of the Investment, Technical Policy, Reliability, Energy Efficiency, and Innovation Committee
Information on the independence of the member of the Board of Directors	<ul style="list-style-type: none"> <li>• Status of the director as of the time of nomination for election to the Board of Directors of the Company in 2014: independent director.</li> <li>• In accordance with the Listing Rules of the MICEX Stock Exchange: not independent.</li> <li>• In accordance with the provisions of the Corporate Governance Code recommended by the Bank of Russia:<sup>4</sup> not independent.</li> </ul>
Stake held by the individual in the authorized capital of the issuer, %	none
Percentage of ordinary shares held by the individual in the issuer, %	none
Stakes held by the individual in the authorized (share) capital (unit trust) of the subsidiaries and dependent companies of the issuer	the individual does not hold such stakes
No transactions to acquire or transfer shares	

<b>4. Oleg Mikhailovich Budargin</b>	<b>Member of the Board of Directors</b>
Year of birth	1960
Date of election to the Board of Directors of ROSSETI	June 30, 2014
Position as of the time of election	Director General, ROSSETI
Education	Higher education, Candidate of Science (Economics)
Major	Industrial and Civil Construction
<p>From 2009, he was the Chairman of the Management Board of FGC UES.</p> <p>In June 2013, he was appointed as the Director General of ROSSETI.</p> <p>He is a member of the Presidential Commission for Strategic Development of the Fuel and Energy Sector and Environmental Security of the Russian Federation.</p> <p>Chairman of the Board of Directors: FGC UES, MOESK, Federal Testing Center; member of the Board of Directors: Inter RAO; Chairman of the Supervisory Board: Association of Solar Energy Enterprises; member of the Supervisory Board: Russian Regional Development Bank, North-Caucasus Federal University, Moscow Power Engineering Institute (National Research University); member of the Board of the Association of Polar Explorers; Vice Chair of the World Energy Council (WEC); member of the Board of Trustees: Mariinsky Theatre, Primorsky Opera and Ballet Theater.</p>	

<sup>4</sup> In the Company's opinion.

Membership in the Committees of the Board of Directors of ROSSETI	N/A
Information on the independence of the member of the Board of Directors	<ul style="list-style-type: none"> <li>• Status of the director as of the time of nomination for election to the Board of Directors of the Company in 2014: representative of the Russian Federation.</li> <li>• In accordance with the Listing Rules of the MICEX Stock Exchange: not independent.</li> <li>• In accordance with the provisions of the Corporate Governance Code recommended by the Bank of Russia:<sup>5</sup> not independent.</li> </ul>
Stake held by the individual in the authorized capital of the issuer, %	none
Percentage of ordinary shares held by the individual in the issuer, %	none
Stakes held by the individual in the authorized (share) capital (unit trust) of the subsidiaries and dependent companies of the issuer	<p>Full corporate name:</p> <p>Open Joint-Stock Company Federal Grid Company of Unified Energy System</p> <p>INN (Taxpayer Identification Number): 4716016979</p> <p>OGRN (Principal State Registration Number): 1024701893336</p> <p>Stake held by the individual in the authorized capital of the entity, %: 0.00064</p> <p>Percentage of ordinary shares held by the individual in the entity, %: 0.00064</p>

<b>5. Anatoly Fyodorovich Dyakov</b>	<b>Member of the Board of Directors</b>
Year of birth	1936
Date of election to the Board of Directors of ROSSETI	June 30, 2014
Position as of the time of election	President and Chairman of the Scientific and Technical Board, NP STC UPS
Education	Higher education, Associate member of the Russian Academy of Sciences, professor, Doctor of Science (Engineering)
Major	Mining Electromechanics
From 2008, he was the President and Chairman of the Scientific and Technical Board of the Scientific and Technical Council of Unified Energy System, the Advisor to the Chairman of the Management Board of FGC	

<sup>5</sup> In the Company's opinion.

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Membership in the Committees of the Board of Directors of ROSSETI	Member of the Strategy Committee
Information on the independence of the member of the Board of Directors	<ul style="list-style-type: none"><li>• Status of the director as of the time of nomination for election to the Board of Directors of the Company in 2014: independent director.</li><li>• In accordance with the Listing Rules of the MICEX Stock Exchange: not independent.</li><li>• In accordance with the provisions of the Corporate Governance Code recommended by the Bank of Russia:<sup>6</sup> not independent.</li></ul>
Stake held by the individual in the authorized capital of the issuer, %	0.0031
Percentage of ordinary shares held by the individual in the issuer, %	0.00314
Stakes held by the individual in the authorized (share) capital (unit trust) of the subsidiaries and dependent companies of the issuer	<p>Full corporate name: Open Joint-Stock Company Federal Grid Company of Unified Energy System</p> <p>INN (Taxpayer Identification Number): 4716016979</p> <p>OGRN (Principal State Registration Number): 1024701893336</p> <p>Stake held by the individual in the authorized capital of the entity, %: 0.004537</p> <p>Percentage of ordinary shares held by the individual in the entity, %: 0.004537</p> <p>Full corporate name: Interregional Distribution Grid Company of Northern Caucasus, Joint-Stock Company</p> <p>INN (Taxpayer Identification Number): 2632082033</p> <p>OGRN (Principal State Registration Number): 1062632029778</p> <p>Stake held by the individual in the authorized capital of the entity, %: 0.001091</p> <p>Percentage of ordinary shares held by the individual in the entity, %: 0.001091</p>

<sup>6</sup> In the Company's opinion.

Full corporate name:

Interregional Distribution Grid Company of North-West, Joint Stock Company

INN (Taxpayer Identification Number): 7802312751

OGRN (Principal State Registration Number):  
1047855175785

Stake held by the individual in the authorized capital of the entity, %: 0.00172

Percentage of ordinary shares held by the individual in the entity, %: 0.00172

Full corporate name:

Interregional Distribution Grid Company of Siberia, Joint Stock Company

INN (Taxpayer Identification Number): 2460069527

OGRN (Principal State Registration Number):  
1052460054327

Stake held by the individual in the authorized capital of the entity, %: 0.012852

Percentage of ordinary shares held by the individual in the entity, %: 0.012852

Full corporate name:

Interregional Distribution Grid Company of South, Joint Stock Company

INN (Taxpayer Identification Number): 6164266561

OGRN (Principal State Registration Number):  
1076164009096

Stake held by the individual in the authorized capital of the entity, %: 0.025509

Percentage of ordinary shares held by the individual in the entity, %: 0.025509

Full corporate name:

Interregional Distribution Grid Company of Urals, Joint Stock Company

INN (Taxpayer Identification Number): 6671163413

OGRN (Principal State Registration Number):  
1056604000970

Stake held by the individual in the authorized capital of the  
entity, %: 0.008024

Percentage of ordinary shares held by the individual in the  
entity, %: 0.008024

Full corporate name:

Joint-Stock Company Moscow United Electric Grid Company

INN (Taxpayer Identification Number): 5036065113

OGRN (Principal State Registration Number):  
1057746555811

Stake held by the individual in the authorized capital of the  
entity, %: 0.005796

Percentage of ordinary shares held by the individual in the  
entity, %: 0.005796

Full corporate name:

JOINT-STOCK COMPANY LENENERGO

INN (Taxpayer Identification Number): 7803002209

OGRN (Principal State Registration Number):  
1027809170300

Stake held by the individual in the authorized capital of the  
entity, %: 0.023

Percentage of ordinary shares held by the individual in the  
entity, %: 0.024

Full corporate name:

Interregional Distribution Grid Company of Center and Volga  
Region, Joint Stock Company

INN (Taxpayer Identification Number): 5260200603

OGRN (Principal State Registration Number):  
1075260020043

Stake held by the individual in the authorized capital of the  
entity, %: 0.001917

Percentage of ordinary shares held by the individual in the entity, %: 0.001917

Full corporate name:

Dagestan Energy Supply Company, Joint-Stock Company

INN (Taxpayer Identification Number): 0541031172

OGRN (Principal State Registration Number):  
1050562009926

Stake held by the individual in the authorized capital of the entity, %: 0.020182

Percentage of ordinary shares held by the individual in the entity, %: 0.020182

Full corporate name:

JOINT STOCK COMPANY NORTH-WEST ENERGY  
MANAGING COMPANY

INN (Taxpayer Identification Number): 7841322263

OGRN (Principal State Registration Number):  
1057812496873

Stake held by the individual in the authorized capital of the entity, %: 0.04404

Percentage of ordinary shares held by the individual in the entity, %: 0.05159

<b>6. Andrey Yurievich Ivanov</b>	<b>Member of the Board of Directors</b>
Year of birth	1975
Date of election to the Board of Directors of ROSSETI	June 30, 2014
Position as of the time of election	Deputy Minister of Finance of the Russian Federation
Education	Higher education
Major	Law
From 2008 to 2012, he was the Deputy Director and Director of the Department for Budgetary Policy in Innovation, Civil Industry, Energy, Communications and Public-Private Partnership of the Ministry of Finance of the Russian Federation.	
From June 2012, he is the Deputy Minister of Finance of the Russian Federation.	
Member of the Board of Directors: Innopolis, Innopolis Special Economic Zone, United Aircraft Corporation, Russian Railways, Special Economic Zones, Rosneftgaz; member of the Supervisory Board: State Company	

Russian Highways, Russian Agricultural Bank; Chairman of the Strategy Committee, Russian Agricultural Bank, member of the Audit Committee, Russian Agricultural Bank; member of the Skolkovo Foundation Board, Skolkovo Institute of Science and Technology; member of the Nomination and Remuneration Committee the Supervisory Board, member of the Working Group of the Contest for Bonuses for Contributions to Russian Socioeconomic Development, Vnesheconombank; member of the Working Group on Consideration of Materials for the Supervisory Board, Vnesheconombank; member of the Nomination and Remuneration Committee of the Supervisory Board, Vnesheconombank; member of the Executive Board, Internet Initiatives Development Fund of the Agency for Strategic Initiatives; member of the Board of Directors, Uralvagonzavod; member of the Skolkovo Foundation Board.

Membership in the Committees of the Board of Directors of ROSSETI	member of the Strategy Committee
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Information on the independence of the member of the Board of Directors	<ul style="list-style-type: none"> <li>• Status of the director as of the time of nomination for election to the Board of Directors of the Company in 2014: representative of the Russian Federation.</li> <li>• In accordance with the Listing Rules of the MICEX Stock Exchange: not independent.</li> <li>• In accordance with the provisions of the Corporate Governance Code recommended by the Bank of Russia:<sup>7</sup> not independent.</li> </ul>
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Stake held by the individual in the authorized capital of the issuer, %	none
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Percentage of ordinary shares held by the individual in the issuer, %	none
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Stakes held by the individual in the authorized (share) capital (unit trust) of the subsidiaries and dependent companies of the issuer	the individual does not hold such stakes
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No transactions to acquire or transfer shares

<b>7. Alexander Sergeyevich Kalinin</b>	<b>Member of the Board of Directors</b>
Year of birth	1966
Date of election to the Board of Directors of ROSSETI	June 30, 2014
Position as of the time of election	First Vice President for Energy, Infrastructure and Cluster Policy, OPORA RUSSIA All-Russian Public Organization of Small and Medium Business
Education	Higher education, Engineering Economics
Major	Electrical Engineering, Law
In 2005, he was elected as the Chairman of the Board of the Chelyabinsk Regional Branch of OPORA RUSSIA. In 2007, he was elected to the Management Board of OPORA RUSSIA All-Russian Public Organization of Small and Medium Business. In 2011, he was reelected as the Chairman of the Board of the Chelyabinsk Regional	

<sup>7</sup> In the Company's opinion.

Branch of OPORA RUSSIA.

In 2012, he was elected as the First Vice President for Energy, Infrastructure and Cluster Policy of OPORA RUSSIA.

In 2013, he was elected as the Co-chairman of the Headquarters of the Chelyabinsk Regional Branch of the People's Front for Russia.

From October 2014, he is the President of OPORA RUSSIA All-Russian Public Organization of Small and Medium Business.

Membership in the Committees of the Board of Directors of ROSSETI	Chairman of the Audit Committee, member of the Nomination and Remuneration Committee, member of the Strategy Committee
Information on the independence of the member of the Board of Directors	<ul style="list-style-type: none"> <li>• Status of the director as of the time of nomination for election to the Board of Directors of the Company in 2014: independent director.</li> <li>• In accordance with the Listing Rules of the MICEX Stock Exchange: independent director.</li> <li>• In accordance with the provisions of the Corporate Governance Code recommended by the Bank of Russia:<sup>8</sup> independent director.</li> </ul>
Stake held by the individual in the authorized capital of the issuer, %	none
Percentage of ordinary shares held by the individual in the issuer, %	none
Stakes held by the individual in the authorized (share) capital (unit trust) of the subsidiaries and dependent companies of the issuer	the individual does not hold such stakes
No transactions to acquire or transfer shares	

<b>8. Vyacheslav Mikhailovich Kravchenko</b>	<b>Member of the Board of Directors</b>
Year of birth	1967
Date of election to the Board of Directors of ROSSETI	June 30, 2014
Position as of the time of election	Deputy Minister of Energy of the Russian Federation
Education	Higher education
Major	Law
From 2008 to 2010, he was the Chief Executive Officer of OOO RN-Energo.	
From 2010 to 2012, he was the Director General of United Energy Sales Company.	
In 2012, he was elected as the Chairman of the Management Board of TSA and the Chairman of the Board of NP Market Council.	

<sup>8</sup> In the Company's opinion.

<p>In September 2013, he was appointed as the Deputy Minister of Energy of the Russian Federation.</p> <p>Chairman of the Board of Directors: Financial Settling Center; member of the Board of Directors: Inter RAO, FGC UES, SO UPS, MOESK, RusHydro; representative of the Government on the Supervisory Board, NP Market Council.</p>	
Membership in the Committees of the Board of Directors of ROSSETI	Chairman of the Strategy Committee
Information on the independence of the member of the Board of Directors	<ul style="list-style-type: none"> <li>• Status of the director as of the time of nomination for election to the Board of Directors of the Company in 2014: representative of the Russian Federation.</li> <li>• In accordance with the Listing Rules of the MICEX Stock Exchange: not independent.</li> <li>• In accordance with the provisions of the Corporate Governance Code recommended by the Bank of Russia:<sup>9</sup> not independent.</li> </ul>
Stake held by the individual in the authorized capital of the issuer, %	none
Percentage of ordinary shares held by the individual in the issuer, %	none
Stakes held by the individual in the authorized (share) capital (unit trust) of the subsidiaries and dependent companies of the issuer	the individual does not hold such stakes
No transactions to acquire or transfer shares	

<b>9. Alexei Aleksandrovich Makarov</b>	<b>Member of the Board of Directors</b>
Year of birth	1937
Date of election to the Board of Directors of ROSSETI	June 30, 2014
Position as of the time of election	Member of the Presidium, Russian Academy of Sciences
Education	Higher education, Doctor of Science (Economics), Academician, Russian Academy of Sciences
Major	Energy Economics
<p>From 1985 to 2013, he was the laboratory head, Deputy Director and Director of the Energy Research Institute of the Russian Academy of Sciences.</p> <p>From July 2013, he is an Advisor to the Russian Academy of Sciences and a Member of the Presidium of the Russian Academy of Sciences.</p>	
Membership in the Committees of the Board of Directors of ROSSETI	Chairman of the Nomination and Remuneration Committee, member of the Audit Committee

<sup>9</sup> In the Company's opinion.

Information on the independence of the member of the Board of Directors	<ul style="list-style-type: none"> <li>• Status of the director as of the time of nomination for election to the Board of Directors of the Company in 2014: independent director.</li> <li>• In accordance with the Listing Rules of the MICEX Stock Exchange: independent director.</li> <li>• In accordance with the provisions of the Corporate Governance Code recommended by the Bank of Russia:<sup>10</sup> independent director.</li> </ul>
Stake held by the individual in the authorized capital of the issuer, %	none
Percentage of ordinary shares held by the individual in the issuer, %	none
Stakes held by the individual in the authorized (share) capital (unit trust) of the subsidiaries and dependent companies of the issuer	the individual does not hold such stakes
No transactions to acquire or transfer shares	

<b>10. Sergei Nikolaevich Mironosetsky</b>	<b>Member of the Board of Directors</b>
Year of birth	1965
Date of election to the Board of Directors of ROSSETI	June 30, 2014
Position as of the time of election	Member of the Board of Directors, Siberian Generation Company
Education	Higher education
Major	Economic Cybernetics
<p>From 2005 to 2011, he was the Deputy Director General and Deputy Director for Energy, Mergers and Acquisitions of SUEK.</p> <p>From August 2009 to September 2013, he was of the Director General of Siberian Generation Company.</p> <p>Member of the Board of Directors: Siberian Generation Company, IDGC of Siberia, FGC UES.</p>	
Membership in the Committees of the Board of Directors of ROSSETI	Member of the Nomination and Remuneration Committee, member of the Audit Committee, member of the Strategy Committee, member of the Investment, Technical Policy, Reliability, Energy Efficiency, and Innovation Committee

<sup>10</sup> In the Company's opinion.

Information on the independence of the member of the Board of Directors	<ul style="list-style-type: none"> <li>• Status of the director as of the time of nomination for election to the Board of Directors of the Company in 2014: independent director.</li> <li>• In accordance with the Listing Rules of the MICEX Stock Exchange: independent director.</li> <li>• In accordance with the provisions of the Corporate Governance Code recommended by the Bank of Russia:<sup>11</sup> not independent.</li> </ul>
Stake held by the individual in the authorized capital of the issuer, %	none
Percentage of ordinary shares held by the individual in the issuer, %	none
Stakes held by the individual in the authorized (share) capital (unit trust) of the subsidiaries and dependent companies of the issuer	the individual does not hold such stakes
No transactions to acquire or transfer shares	

<b>11. Denis Stanislavovich Morozov</b>	<b>Member of the Board of Directors</b>
Year of birth	1973
Date of election to the Board of Directors of ROSSETI	June 30, 2014
Position as of the time of election	Representative of the Russian Federation on the Board of Directors of the European Bank for Reconstruction and Development
Education	Higher education, Candidate of Science (Economics)
Major	Political Economics, Law, Public Administration
<p>In 2007, he was appointed as the President and General Director of MMC Norilsk Nickel.</p> <p>In late 2009, he was appointed as the President and, later, CEO of Uralkali.</p> <p>From 2011, he is the Executive Director for the Russian Federation, Belarus and Tajikistan and the Representative of the Russian Federation on the Board of Directors of the European Bank for Reconstruction and Development.</p> <p>Member of the Board of Directors: RusHydro; member of the Supervisory Board: Russian Agricultural Bank.</p>	
Membership in the Committees of the Board of Directors of ROSSETI	N/A

<sup>11</sup> In the Company's opinion.

Information on the independence of the member of the Board of Directors	<ul style="list-style-type: none"> <li>• Status of the director as of the time of nomination for election to the Board of Directors of the Company in 2014: representative of the Russian Federation.</li> <li>• In accordance with the Listing Rules of the MICEX Stock Exchange: not independent.</li> <li>• In accordance with the provisions of the Corporate Governance Code recommended by the Bank of Russia:<sup>12</sup> not independent.</li> </ul>
Stake held by the individual in the authorized capital of the issuer, %	none
Percentage of ordinary shares held by the individual in the issuer, %	none
Stakes held by the individual in the authorized (share) capital (unit trust) of the subsidiaries and dependent companies of the issuer	the individual does not hold such stakes
No transactions to acquire or transfer shares	

<b>12. Andrey Yevgenyevich Murov</b>	<b>Member of the Board of Directors</b>
Year of birth	1970
Date of election to the Board of Directors of ROSSETI	June 30, 2014
Position as of the time of election	Chairman of the Management Board, FGC UES
Education	Higher education, Doctor of Science (Economics)
Major	Law
<p>From 2007 to 2012, he worked as the Director General of Pulkovo Airport.</p> <p>From January 2012 to July 2012, he was the Deputy Director General of MRSK Holding.</p> <p>From July 2012 to June 2013, he worked as the Executive Director of ROSSETI.</p> <p>At present, he is the Chairman of the Management Board, FGC UES.</p> <p>Member of the Board of Directors: FGC UES, Inter RAO.</p>	
Membership in the Committees of the Board of Directors of ROSSETI	N/A

<sup>12</sup> In the Company's opinion.

Information on the independence of the member of the Board of Directors	<ul style="list-style-type: none"> <li>• Status of the director as of the time of nomination for election to the Board of Directors of the Company in 2014: representative of the Russian Federation.</li> <li>• In accordance with the Listing Rules of the MICEX Stock Exchange: not independent.</li> <li>• In accordance with the provisions of the Corporate Governance Code recommended by the Bank of Russia:<sup>13</sup> not independent.</li> </ul>
Stake held by the individual in the authorized capital of the issuer, %	none
Percentage of ordinary shares held by the individual in the issuer, %	none
Stakes held by the individual in the authorized (share) capital (unit trust) of the subsidiaries and dependent companies of the issuer	the individual does not hold such stakes
No transactions to acquire or transfer shares	

<b>13. Seppo Juha Remes</b>	<b>Member of the Board of Directors</b>
Year of birth	1955
Date of election to the Board of Directors of ROSSETI	June 30, 2014
Position as of the time of election	Director General, Kiuru
Education	Higher education, Ph.D. in Economics
Major	Economics
From 2007, he is the Director General of Kiuru and the Chairman of the Board of Directors of EOS Russia. Member of the Board of Directors: Sollers, SIBUR Holding, RUSNANO, Rusnano Management Company.	
Membership in the Committees of the Board of Directors of ROSSETI	Member of the Strategy Committee
Information on the independence of the member of the Board of Directors	<ul style="list-style-type: none"> <li>• Status of the director as of the time of nomination for election to the Board of Directors of the Company in 2014: representative of the Russian Federation.</li> <li>• In accordance with the Listing Rules of the MICEX Stock Exchange: not independent.</li> <li>• In accordance with the provisions of the Corporate Governance Code recommended by the Bank of Russia:<sup>14</sup> not independent.</li> </ul>
Stake held by the individual in the authorized capital of the issuer, %	none

<sup>13</sup> In the Company's opinion.

<sup>14</sup> In the Company's opinion.

Percentage of ordinary shares held by the individual in the issuer, %	none
Stakes held by the individual in the authorized (share) capital (unit trust) of the subsidiaries and dependent companies of the issuer	the individual does not hold such stakes
No transactions to acquire or transfer shares	

<b>14. Pavel Olegovich Shatsky</b>	<b>Member of the Board of Directors</b>
Year of birth	1972
Date of election to the Board of Directors of ROSSETI	June 30, 2014
Position as of the time of election	First Deputy Director General, Gazprom Energoholding
Education	Higher education
Major	Management
<p>From September 2008, he is the First Deputy Director General of OOO Gazprom Energoholding.</p> <p>Chairman of the Board of Directors: Mezhhregionenergostroy Shtokman; member of the Board of Directors: OGK-2, Tsentrenergokholding, Mezhhregion-energostroy.</p>	
Membership in the Committees of the Board of Directors of ROSSETI	N/A
Information on the independence of the member of the Board of Directors	<ul style="list-style-type: none"> <li>• Status of the director as of the time of nomination for election to the Board of Directors of the Company in 2014: independent director.</li> <li>• In accordance with the Listing Rules of the MICEX Stock Exchange: not independent.</li> <li>• In accordance with the provisions of the Corporate Governance Code recommended by the Bank of Russia:<sup>15</sup> not independent.</li> </ul>
Stake held by the individual in the authorized capital of the issuer, %	0.000007
Percentage of ordinary shares held by the individual in the issuer, %	0.000001
Stakes held by the individual in the authorized (share) capital (unit trust) of the subsidiaries and dependent companies of the issuer	the individual does not hold such stakes
No transactions to acquire or transfer shares	

<sup>15</sup> In the Company's opinion.

<b>15. Andrey Nikolayevich Shishkin</b>	<b>Member of the Board of Directors</b>
Year of birth	1959
Date of election to the Board of Directors of ROSSETI	June 30, 2014
Position as of the time of election	Vice President, Rosneft
Education	Higher education, Candidate of Science (Economics)
Major	Thermal Power Engineering, Banking
<p>From January 2010 to June 2012, he was the Deputy Minister of Energy of the Russian Federation.</p> <p>From July 2012, he is the Vice President, Rosneft.</p> <p>From 2013, he is a member of the Board of Directors of Tyumen Power Sales Company.</p>	
Membership in the Committees of the Board of Directors of ROSSETI	member of the Investment, Technical Policy, Reliability, Energy Efficiency, and Innovation Committee
Information on the independence of the member of the Board of Directors	<ul style="list-style-type: none"> <li>• Status of the director as of the time of nomination for election to the Board of Directors of the Company in 2014: independent director.</li> <li>• In accordance with the Listing Rules of the MICEX Stock Exchange: not independent.</li> <li>• In accordance with the provisions of the Corporate Governance Code recommended by the Bank of Russia:<sup>16</sup> not independent.</li> </ul>
Stake held by the individual in the authorized capital of the issuer, %	none
Percentage of ordinary shares held by the individual in the issuer, %	none
Stakes held by the individual in the authorized (share) capital (unit trust) of the subsidiaries and dependent companies of the issuer	the individual does not hold such stakes
No transactions to acquire or transfer shares	

☐ Further information about members of the Board of Directors can be found on the corporate website at <http://www.rosseti.ru/about/management/directors/>

### **Procedure for Electing Members of the Board of Directors**

As specified in the Articles of Association of the Company, the Board of Directors shall consist of fifteen (15) members elected by the General Meeting of Shareholders at the suggestion of shareholders holding an aggregate of 2% of voting shares. Members of the Company's Board of Directors shall be elected by the General Meeting of Shareholders by cumulative vote for a term until the next Annual General Meeting of Shareholders. The General Meeting of Shareholders may decide on early termination of their powers only with regard to all members of the Board of Directors.

Members of the Company's Board of Directors are elected by the General Meeting of Shareholders by cumulative vote. In the event of cumulative voting, the number of votes held by each shareholder is

<sup>16</sup> In the Company's opinion.

multiplied by the number of persons who shall be elected to the Board of Directors of the Company and each shareholder may cast all votes so received for one nominee or distribute them to two or more nominees. The nominees receiving the greatest number of votes shall be deemed to be elected to the Board of Directors of the Company.

If any Annual General Meeting of Shareholders is not held within the period specified in the Articles of Association, the powers of the Company's Board of Directors shall terminate except for the powers to prepare, convene, and hold the Annual General Meeting of Shareholders.

Only an individual may be a member of the Board of Directors.

The members of the Company's Management Board may not constitute more than one-fourth of the members of the Company's Board of Directors.

Persons elected to the Board of Directors may be reelected for any number of successive terms.

The Company does not believe that any restrictions on the number of terms for which the members of the Board of Directors may be reelected will serve the interests of the Company or its shareholders. The members of the Board who are familiar with the activities of the Company have an important role in ensuring adequate governance.

### **Criteria for Determining the Independent Members of the Board of Directors**

Currently, the criteria for determining the independent members of the Board of Directors are set by the applicable laws and the following legal regulations:

- Article 83 of the Federal Law "On Joint-Stock Companies" for the purposes of defining the procedure for approving related party transactions

Specifically, it is determined that, in the case of a company with the number of voting share holders of more than 1,000, any decision to approve a related party transaction shall be adopted by the company's board of directors by a majority votes of independent directors that are not related parties to such transaction.

A member of the board of directors shall be deemed to be an independent director if he or she is not or, within one year preceding the decision, was not:

- a person performing the functions of the company's sole executive body, including its manager, a member of a collegial executive body, a person holding a position in the management bodies of the management organization;
- a person whose spouse, parents, children, siblings, half-brothers and half-sisters, adoptive parents, and adoptees are persons holding positions in such management bodies of the company, the management organization of the company, or are the manager of the company;
- an affiliate of the company, except for a member of the board of directors of the company.

- The Corporate Governance Code recommended by the Bank of Russia (Letter No. 06-52 of April 10, 2014; Part B, paragraphs 2.4.1, 101, 102, etc.) for implementation, and Order of the Federal Financial Markets Service of the Russian Federation No. 13-62/pz-n of July 30, 2013, "On the Procedure for Admitting Securities to Regulated Trading" (Appendix No. 3 to the Order: List of Corporate Governance Requirements That Are Mandatory for Inclusion of Shares on the Quotation List, and the Implications of Noncompliance)

According to these documents, it is recommended that an independent director shall be deemed to be a person who has sufficient professionalism, experience, and independence to form his or her own position, is able to make objective, and honest judgements independent of the influence of the company's executive bodies, certain groups of shareholders, or other stakeholders.

It should be noted that, under normal circumstances, a candidate (elected member of the board of directors who is affiliated with the company, its significant shareholder, a significant counterparty or competitor of the company or related to the government may not be deemed independent.

It is recommended that an independent director (a candidate for election as an independent director) shall be deemed to be a person who:

- is not affiliated with the company;
- is not affiliated with a significant shareholder of the company;
- is not affiliated with a significant counterparty or competitor of the company;
- is not affiliated with the government (the Russian Federation, a constituent entity of the Russian Federation) or a municipality.

The criteria for determining the independence of members of the board of directors, including the criteria of affiliation with the aforementioned persons and their significance are set by the stock exchange subject to the best corporate governance standards.

- The Listing Rules of the MICEX Stock Exchange approved by the Board of Directors of the MICEX Stock Exchange on July 31, 2014, and registered by the Bank of Russia on September 4, 2014, under No. RB-52-2/330 (paragraphs 2.18 and 2.19 of the Listing Rules; Appendices 2 and 4 to the Listing Rules)

The Listing Rules are based on the Code and Order of the Federal Financial Markets Service of the Russian Federation No. 13-62/pz-n of July 30, 2013, and are consistent with their provisions.

### **Action Plans of the Board of Directors**

Every year, after the election of new members of the Board of Directors of the Company, the Board of Directors draws up its action plan based on the decisions of the General Meeting of Shareholders, specific decisions of the Board of Directors and the Management Board of the Company, proposals of the Director General and members of the Board of Directors, the Internal Audit Commission, and the Auditor of the Company.

The draft action plan of the Board of Directors of the Company is submitted by the Director General of the Company to the Chairman of the Board of Directors, with a copy delivered to the Secretary of the Board of Directors of the Company, for its submission to the new members of the Board of Directors elected by the Annual/Extraordinary General Meeting of Shareholders of the Company.

The Board of Directors of ROSSETI elected on June 30, 2014, works under the meeting plan for the corporate year 2014/15 approved by the decision adopted by the Board of Directors of the Company on September 17, 2014 (Minutes of the Meeting No. 165).

### **Performance Report of the Board of Directors for 2014**

During 2014, the Board of Directors of ROSSETI held 33 meetings (8 in person and 25 in absentia), considering 186 issues falling within its competence and relating to the Company's activities

From among the most significant issues considered by the Board of Directors in 2014, it is important to mention the following:

- Approval of the Strategy for Developing and Improving the Internal Control System of ROSSETI and Subsidiaries and Dependent Companies of ROSSETI

- Approval of the Regulations for Disclosing Material Information of ROSSETI Under Shareholder Laws and Securities Market Laws (Information Policy)
- Review of the Strategy for Development of ROSSETI and the Action Plan to Implement the Strategy for Development of ROSSETI
- Review of the Program of ROSSETI for Improving the Efficiency of Measures to Reduce Receivables for Electricity Distribution Services
- Implementation by ROSSETI of Ordinance of the Government of the Russian Federation No. 1144-r of June 30, 2012, “On the Approval of the Action Plan (Road Map) ‘Enhancing the Affordability of the Power Infrastructure’”
- Approval of the Model Standard for the Public Technological and Price Audit of Investment Projects of Subsidiaries and Dependent Companies of ROSSETI
- Approval of qualification requirements for the chief executives of subsidiaries and dependent companies of ROSSETI
- Review of the consolidated investment program of ROSSETI for 2015–2019
- Import substitution at subsidiaries and dependent companies of ROSSETI until 2018
- Concept of Setting up the Federal Testing Center (FTC)
- Priorities established for ROSSETI’s activities: the advisability of carrying out recommendations for the management of rights to intellectual products
- Formation of the Unified Energy Conservation and Energy Efficiency Enhancement Program of Subsidiaries and Dependent Companies of ROSSETI
- Establishment of the common treasury of the Company and its subsidiary and dependent organizations
- Formulation of the Action Plan (Road Map) to Introduce the Corporate Governance Code into the Activities of the Company
- Review of the Long-Term Development Program of ROSSETI
- Dealing with receivables from energy retailers that are members of the ROSSETI Group and from subsidiaries and dependent companies of ROSSETI that perform the Supplier of Last Resort functions
- Improvement of the Company’s workforce productivity
- Improvement of the efficiency and transparency of the Company’s activities.

 Further information on the decisions adopted by the Board of Directors in 2014 is contained in **Appendix 9** to the Annual Report

In 2014, the Board of Directors of ROSSETI approved 13 policies that ensure the uniformity of governance in the grid sector and are aimed at increasing efficiency, reducing costs, and improving control over SDCs:

1. Approval of the Procurement Policy of ROSSETI (Minutes of the Meeting No. 149)
2. Innovative Development, Energy Conservation, and Energy Efficiency Policy of ROSSETI (Minutes of the Meeting No. 150)
3. Approval of the Internal Audit Policy of ROSSETI (Minutes of the Meeting No. 151)
4. Approval of a restated version of the Risk Management Policy of ROSSETI (Minutes of the Meeting No. 151)
5. Approval of a restated version of the Internal Control Policy of ROSSETI (Minutes of the Meeting No. 151)
6. Economic Policy of ROSSETI (Minutes of the Meeting No. 156)
7. Approval of the Policy on Society, Customer, and Government Relations of ROSSETI (Minutes of the Meeting No. 158)
8. Approval of the Personnel and Social Policy of ROSSETI (Minutes of the Meeting No. 158)

9. Approval of the Regulations for Credit Policy of ROSSETI (Minutes of the Meeting No. 169)
10. Approval of a restated version of the Regulations for Dividend Policy of ROSSETI (Minutes of the Meeting No. 169)
11. Approval of the Comprehensive Security Policy of ROSSETI (Minutes of the Meeting No. 169)
12. Approval of a restated version of the Anti-Corruption Policy of ROSSETI and Subsidiaries and Dependent Companies of ROSSETI (Minutes of the Meeting No. 171)
13. Approval of the Investment Policy of ROSSETI (Minutes of the Meeting No. 174)

#### Votes cast by members of the Board of Directors of ROSSETI on the agenda items of meetings in relation to the approval of ROSSETI's functional policies

	No.	Member of the Board of Directors	Total Votes	No Votes	For	Abstained	Against
Members of the Board of Directors elected for the corporate years 2013/14 and 2014/15	1.	S. I. Shmatko	13	0	13	0	0
	2.	B. I. Ayuyev	13	1	12	0	0
	3.	O. M. Budargin	13	0	13	0	0
	4.	V. M. Kravchenko	13	4	4	4	1
	5.	D. S. Morozov	13	0	8	5	0
	6.	A. Ye. Murov	13	0	3	5	5
	7.	S. Remes	13	0	11	1	1
	8.	P. O. Shatsky	13	6	6	0	1
	9.	A. N. Shishkin	13	10	3	0	0
Members of the Board of Directors elected for the corporate year 2014/15	10.	O. G. Barkin	5	0	5	0	0
	11.	A. F. Dyakov	5	0	5	0	0
	12.	A. Yu. Ivanov	5	1	4	0	0
	13.	A. S. Kalinin	5	0	5	0	0
	14.	A. A. Makarov	5	0	5	0	0
	15.	S. N. Mironosetsky	5	0	4	1	0
Members of the Board of Directors elected for the corporate year 2013/14	16.	S. O. Ashirov	8	0	8	0	0
	17.	V. V. Nikonov	8	5	3	0	0
	18.	M. V. Ochirova	8	3	4	1	0
	19.	E. B. Titova	8	1	7	0	0
	20.	E. Ferlenghi	8	0	8	0	0

#### Report of the Board of Directors on the Results of the Company's Development in Priority Areas

In 2014, the Board of Directors of the Company resolved to select the following 4 areas as priorities for ROSSETI's activities: carrying out methodological recommendations for the management of rights to intellectual products, setting up the common treasury, implementing the Smart Grid Construction Investment Project, and developing and improving the internal control system of ROSSETI and subsidiaries and dependent companies of ROSSETI.

#### Priorities Established for ROSSETI's activities (2014)

#	Agenda issue	Minutes	Decision
1	Priorities established for ROSSETI's activities: the advisability of carrying out recommendations for the management of rights to intellectual products	 Minutes №151 of 28.04.2014	 It shall be deemed advisable to carry out the methodological recommendations formulated by the Ministry of Economic Development of the Russian Federation for the management of rights to intellectual products
2	Establishment of the common treasury of the Company and its subsidiary and dependent organizations	 Minutes №164 of 10.09.2014	 The establishment of the common treasury of JSC ROSSETI shall be a priority for the Company's activities
3	Implementation of the Smart Grid Construction Investment Project	 Minutes №174 of 19.12.2014	 The implementation of the Smart Grid Construction Investment Project (hereinafter, the "Project"), whose project identification summary is approved by Ordinance of the Government of the Russian Federation No. 1059-r of June 16, 2014, "On Amendments to Ordinance of the Government of the Russian Federation No. 2044-r of November 5, 2013, and the Approval of Investment Project Identification Summaries" (as amended and supplemented), shall be a priority for JSC ROSSETI's activities
4	Approval of the Strategy for Developing and Improving the Internal Control System of ROSSETI and Subsidiaries and Dependent Companies	 Minutes № 143 of 10.02.2014)	 Developing and improving the internal control system of JSC Russian Grids and subsidiaries and dependent companies of JSC ROSSETI shall be a priority for the Company's activities

#### Participation of Members of the Board of Directors in Corporate Actions in 2014

#	Name	Total	Meetings	Absentee Voting
1	Sergey Ivanovich Shmatko	33	8	25
2	Stanislav Olegovich Ashirov	18	5	18
3	Boris Ilyich Ayuyev	33	8	25
4	Oleg Gennadyevich Barkin	14	3	11
5	Georgy Valentinovich Boos	0	0	0
6	Oleg Mikhailovich Budargin	33	8	25
7	Anatoly Fyodorovich Dyakov	14	3	11
8	Andrey Yurievich Ivanov	7	2	5
9	Alexander Sergeyevich Kalinin	14	3	11
10	Vyacheslav Mikhailovich Kravchenko	26	6	20
11	Alexei Aleksandrovich Makarov	15	3	12
12	Sergei Nikolaevich Mironosetsky	15	3	12
13	Denis Stanislavovich Morozov	32	7	25
14	Andrey Yevgenyevich Murov	32	8	24

15	Vasily Vladislavovich Nikonov	14	3	11
16	Maria Valerievna Ochirova	10	1	9
17	Seppo Juha Remes	31	8	23
18	Elena Borisovna Titova	18	5	13
19	Ernesto Ferlenghi	17	5	12
20	Pavel Olegovich Shatsky	19	5	14
21	Andrey Nikolayevich Shishkin	24	3	21

## Committees of the Board of Directors

**6**

### Number of Committees of the Board of Directors of ROSSETI

In order to perform its functions in the most effective manner and preliminarily consider the most important issues falling within its competence, the Board of Directors set up six Committees:

- Investment, Technical Policy, Reliability, Energy Efficiency, and Innovation Committee
- Society, Customer, and Government Relations and Information Policy Committee
- Valuation Committee
- Nomination and Remuneration Committee
- Strategy Committee
- Audit Committee

The members, competence, and working procedure of the Committees of the Board of Directors of the Company are determined by the Board of Directors and set forth in the Committee Regulations approved by the Board of Directors in accordance with the applicable laws. Decisions made by the Committee are recommendatory.

### Strategy Committee

The Strategy Committee analyzes and prepares for the Board of Directors recommendations and proposals regarding the Company's strategic development and the standardization of planning the development of SDCs. The principal objectives of the Committee are as follows:

- analyze proposals and prepare recommendations for the Board of Directors of the Company for the preparation, amendment, supplementation, and implementation of ROSSETI's principal lines of development,
- monitor the implementation of the ROSSETI's principal lines of development approved by the Board of Directors of the Company,
- analyze proposals and develop recommendations for the Board of Directors of the Company for the preparation of standards for formulating development plans for the Group's SDCs and for reviewing specific plans (as needed).

In 2014, there was one change of the composition of the Strategy Committee of the Board of Directors of the Company.

**Members of the Strategy Committee for the period from January 1, 2014, to September 10, 2014**, appointed by the decision adopted by the Board of Directors of the Company on October 21, 2013

Name	Position <sup>17</sup>
V. M. Kravchenko <b>Chairman of the Committee</b>	Member of the Board of Directors, ROSSETI; Deputy Minister of Energy of the Russian Federation
S. O. Ashirov	Member of the Board of Directors, ROSSETI; Director General, Mezhtregionenergosbyt
R. N. Berdnikov	Member of the Management Board, First Deputy Director General for Technical Policy, ROSSETI
A. A. Dyomin	Member of the Management Board, First Deputy Director General for Economic Affairs and Finance, ROSSETI
A. S. Kalinin	First Vice President, OPORA RUSSIA All-Russian Public Organization of Small and Medium Business
Ye. N. Melnik	General Director, Russian Telecom Equipment Company
A. Ye. Murov	Member of the Board of Directors, ROSSETI; First Deputy Chairman of the Management Board, FGC UES
V. V. Nikonov	Member of the Board of Directors, ROSSETI; Director of the Energy Department, Rosneft
S. Remes	Member of the Board of Directors, ROSSETI; General Director, Kiuru
N. D. Rogalev	Rector, Moscow Power Engineering Institute (National Research University)
A. V. Rogov	Deputy Division Head and Unit Head of the Division for Electric Utilities and Thermal Generation Development, Gazprom
P. N. Snikkars	Deputy Chairman of the Board, NP Market Council
E. Ferlenghi	Member of the Board of Directors, ROSSETI; Head of the Eni Representative Office in the Russian Federation and the CIS
P. V. Shpilevoy	Director of the Department for State Regulation of Tariffs, Infrastructural Reforms and Energy Efficiency, Ministry of Economic Development of the Russian Federation
N. G. Shulginov	First Deputy Chairman of the Management Board, SO UPS

**Members of the Strategy Committee for the period from September 10, 2014, to December 31, 2014**, appointed by the decision adopted by the Board of Directors of the Company on September 10, 2014 (composed of 19 people)

Name	Position <sup>18</sup>
V. M. Kravchenko <b>Chairman of the Committee</b>	Member of the Board of Directors, ROSSETI; Deputy Minister of Energy of the Russian Federation
O. G. Barkin	Member of the Board of Directors, ROSSETI; Deputy Chairman of the Board, NP Market Council
R. N. Berdnikov	Member of the Management Board, First Deputy Director General for Technical Policy, ROSSETI
A. A. Braverman	Director, Russian Direct Investment Fund
A. A. Dyomin	Member of the Management Board, First Deputy Director General for Economic Affairs and Finance, ROSSETI

<sup>17</sup> The positions specified are as of the time of election.

<sup>18</sup> The positions specified are as of the time of election.

A. F. Dyakov	Member of the Board of Directors, ROSSETI; President, NP STC UPS
A. Yu. Ivanov	Member of the Board of Directors, ROSSETI; Deputy Minister of Finance of the Russian Federation
A. S. Kalinin	Member of the Board of Directors, ROSSETI; First Vice President, OPORA RUSSIA All-Russian Public Organization of Small and Medium Business
V. V. Mamin	Director of the of the Department for Corporate Governance, Price Conditions and Auditing in Fuel and Energy Industry Branches, Ministry of Energy of the Russian Federation
Ye. N. Melnik	General Director, Russian Telecom Equipment Company
N. V. Nevmerzhitskaya	Chairperson of the Management Board, Noncommercial Partnership Guaranteeing Suppliers and Power Suppliers
V. V. Nikonov	Director of the Energy Department, Rosneft
S. Remes	Member of the Board of Directors, ROSSETI; General Director, Kiuru
N. D. Rogalev	Rector, Moscow Power Engineering Institute (National Research University)
A. V. Rogov	Deputy Division Head and Unit Head of the Division for Electric Utilities and Thermal Generation Development, Gazprom
P. A. Sinyutin	Director General, MOESK
P. N. Snikkars	Director of the Electric Power Industry Development Department, Ministry of Energy of the Russian Federation
A. V. Shevchuk	Executive Director, Investor Protection Association
N. G. Shulginov	First Deputy Chairman of the Management Board, SO UPS

On **September 17, 2014**, **October 6, 2014**, and **November 25, 2014**, the Board of Directors adopted the decisions to change the number of members of the Strategy Committee of the Board of Directors of ROSSETI to 22 people, and 3 people were added to the Strategy Committee:

Name	Position
S. N. Mironosetsky	Member of the Board of Directors of ROSSETI
P. V. Shpilevoy	Director for Strategic Development and Head of the Strategic Development Department, FGC UES
Ye. A. Olkhovich	Deputy Director of the Department for State Regulation of Tariffs, Infrastructural Reforms and Energy Efficiency of the Ministry of Economic Development of the Russian Federation

During 2014, the Strategy Committee held 26 meetings, dealing with 81 issues

From among the most significant issues considered by the Strategy Committee in 2014, it is important to mention the following:

- Review of the Strategy for Development of ROSSETI and the Action Plan to Implement the Strategy for Development of ROSSETI

- Review of the Program of ROSSETI for Improving the Efficiency of Measures to Reduce Receivables for Electricity Distribution Services
- Implementation by ROSSETI of Ordinance of the Government of the Russian Federation No. 1144-r of June 30, 2012, “On the Approval of the Action Plan (Road Map) ‘Enhancing the Affordability of the Power Infrastructure.’”
- Review of the draft of the Model Standard for the Public Technological and Price Audit of Investment Projects of Subsidiaries and Dependent Companies of ROSSETI
- Economic Policy of ROSSETI
- Innovative Development, Energy Conservation, and Energy Efficiency Enhancement Policy of ROSSETI
- Investment Policy of ROSSETI
- Concept of Setting up the Federal Testing Center (FTC)
- Dealing with receivables from energy retailers that are members of the ROSSETI Group and from subsidiaries and dependent companies of ROSSETI that perform the Supplier of Last Resort functions
- Review of the draft of the Long-Term Development Program of ROSSETI
- Approval of the Innovative Development Program of ROSSETI for 2014–2018 with long-term plans until 2020
- Approval of the Regulations for Credit Policy of ROSSETI
- Comprehensive Security Policy of ROSSETI
- Approval of a restated version of the Regulations for Dividend Policy of ROSSETI
- Priority established for ROSSETI’s activities: the implementation of the Smart Grid Construction Investment Project

#### Participation of members of the Strategy Committee in corporate actions in 2014

#	Name	Total	Meetings	Absentee Voting
1	Stanislav Olegovich Ashirov	15	9	6
2	Oleg Gennadyevich Barkin	9	3	6
3	Roman Nikolaevich Berdnikov	26	13	13
4	Anatoly Aleksandrovich Braverman	10	4	6
5	Andrey Aleksandrovich Dyomin	25	13	12
6	Anatoly Fyodorovich Dyakov	7	1	6
7	Andrey Yurievich Ivanov	1		1
8	Alexander Sergeyeovich Kalinin	23	11	12
9	Vyacheslav Mikhailovich Kravchenko	26	13	13
10	Viktor Viktorovich Mamin	7	3	4
11	Yevgeny Nikolayevich Melnik	16	6	10
12	Sergei Nikolaevich Mironosetsky	10	4	6

13	Andrey Yevgenyevich Murov	15	9	6
14	Natalia Viktorovna Nevmerzhitskaya	11	4	7
15	Vasily Vladislavovich Nikonov	17	9	8
16	Yevgeny Aleksandrovich Olkhovich	4	1	3
17	Seppo Juha Remes	24	11	13
18	Nikolay Dmitryevich Rogalev	23	11	12
19	Alexander Vladimirovich Rogov	26	13	13
20	Pyotr Alekseyevich Sinyutin	5	1	4
21	Pavel Nikolayevich Snikkars	23	11	12
22	Ernesto Ferlenghi	13	7	6
23	Alexander Viktorovich Shevchuk	10	4	6
24	Pavel Viktorovich Shpilevoy	17	7	10
25	Nikolay Grigoryevich Shulginov	25	13	12

□ Further information about the Committee can be found on the corporate website at [http://www.rosseti.ru/about/management/komitet\\_of\\_strategy/](http://www.rosseti.ru/about/management/komitet_of_strategy/)

## Audit Committee

The principal goal of the Audit Committee is to ensure the effective participation of the Board of Directors in supervising the Company's financial and economic activities. The functions of the Committee include dealing with the most important issues falling within the competence of the Board of Directors of the Company or addressed by the Board of Directors as part of control over the activities of the Company's executive body:

- provide support for the process of selecting and evaluating the auditor(s),
- monitor the preparation of accounting (financial) statements and conduct their preliminary reviews,
- assess external auditors' reports,
- review the internal audit policy,
- be responsible for the functional management of internal audit,
- review the report on key risks,
- responsible for the prior approval of the internal documents defining the principles of and approaches to organizing the internal control and risk management system,
- assess the effectiveness of the internal control system and prepare proposals for its improvement.

In 2014, there was one change of the composition of the Audit Committee of the Board of Directors of the Company.

**Members of the Audit Committee for the period from January 1, 2014, to September 10, 2014**, appointed by the decision adopted by the Board of Directors of the Company on October 21, 2013

Name	Position <sup>19</sup>
S. Remes <b>Chairman of the Committee</b>	Member of the Board of Directors, ROSSETI; Director General, Kiuru
S. O. Ashirov	Member of the Board of Directors, ROSSETI; Director General, Mezhtregionenergosbyt
V. V. Nikonov	Member of the Board of Directors, ROSSETI; Director of the Energy Department, Rosneft
M. V. Ochirova	Member of the Board of Directors, ROSSETI; Director of the Corporate Department, MMC Norilsk Nickel
E. B. Titova	Member of the Board of Directors of ROSSETI

**Members of the Audit Committee for the period from September 10, 2014, to December 31, 2014**, appointed by the decision adopted by the Board of Directors of the Company on September 10, 2014 (composed of 3 people)

Name	Position <sup>20</sup>
A. S. Kalinin <b>Chairman of the Committee</b>	Member of the Board of Directors, ROSSETI; First Vice President, OPORA RUSSIA All-Russian Public Organization of Small and Medium Business
A. A. Makarov	Member of the Board of Directors, ROSSETI; Academician, Russian Academy of Sciences
S. N. Mironosetsky	Member of the Board of Directors of ROSSETI

The Committee consists only of independent nonexecutive directors, which meets the stock exchange requirements applicable to issuers whose shares are included on Quotation Lists 1 and 2 (A and B before June 9, 2014).

During 2014, the Audit Committee held 7 meetings, dealing with 25 issues

From among the most significant issues considered by the in 2014, it is important to mention the following:

- Provisioning for impairment of financial investments
- Review of a restated version of the Internal Control Policy of ROSSETI
- Draft of the Internal Audit Policy of ROSSETI
- Draft of a restated version of the Risk Management Policy of ROSSETI
- Review of the draft of the Model Regulations for the Internal Audit Commission for subsidiaries and dependent companies of ROSSETI
- Review of the Regulations for Insider Information of ROSSETI
- Implementation of the Risk Management Policy of ROSSETI approved by the decision adopted by the Board of Directors of ROSSETI on April 28, 2014 (Minutes of the Meeting No. 151)
- Review of the report on key risks of ROSSETI and its subsidiaries and dependent companies for 2013

<sup>19</sup> The positions specified are as of the time of election.

<sup>20</sup> The positions specified are as of the time of election.

- Review of the internal auditor's report on the efficiency of the internal control and risk management system of ROSSETI and its subsidiaries and dependent companies for 2013

#### Participation of members of the Audit Committee in corporate actions in 2014

#	Name	Total	Meetings	Absentee Voting
1	Stanislav Olegovich Ashirov	5	4	1
2	Alexander Sergeyevich Kalinin	2	-	2
3	Alexei Aleksandrovich Makarov	2	-	2
4	Sergei Nikolaevich Mironosetsky	2	-	2
5	Vasily Vladislavovich Nikonov	3	2	1
6	Maria Valerievna Ochirova	3	2	1
7	Seppo Juha Remes	5	4	1
8	Elena Borisovna Titova	5	4	1

□ Further information about the Committee can be found on the corporate website at [http://www.rosseti.ru/about/management/komitet\\_of\\_audit/](http://www.rosseti.ru/about/management/komitet_of_audit/)

#### Nomination and Remuneration Committee

The goal of the Nomination and Remuneration Committee is to preliminarily review and formulate proposals for the Board of Directors of the Company regarding the following issues:

- define selection criteria for nominees for the Board of Directors, the Management Board, and the Director General of the Company and preliminarily evaluate such nominees,
- develop proposals to define material terms and conditions of contracts with members of the Board of Directors, members of the Management Board, and the Director General of the Company,
- develop principles and criteria of remuneration for members of the Board of Directors, members of the Management Board, the Director General of the Company, the management organization, or the manager,
- regularly evaluate the activities of the Director General of the Company (the management organization or the manager) and members of the Management Board and prepare proposals to the Board of Directors of the Company as to whether they can be reappointed,
- develop principles and criteria related to remuneration for the Chairman and members of the Internal Audit Commission of the Company,
- formulate recommendations for the formation of the personnel reserve of the Company and SDCs.

In 2014, there was one change of the composition of the Nomination and Remuneration Committee of the Board of Directors of the Company.

**Members of the Nomination and Remuneration Committee for the period from January 1, 2014, to September 10, 2014,** appointed by the decision adopted by the Board of Directors of the Company on October 21, 2013

Name	Position <sup>21</sup>
M. V. Ochirova <b>Chairperson of the Committee</b>	Member of the Board of Directors, ROSSETI; Director of the Corporate Department, MMC Norilsk Nickel
B. I. Ayuyev	Member of the Board of Directors, ROSSETI; Chairman of the Management Board, SO UPS
V. V. Nikonov	Member of the Board of Directors, ROSSETI; Director of the Energy Department, Rosneft
E. B. Titova	Member of the Board of Directors of ROSSETI
P. O. Shatsky	Member of the Board of Directors, ROSSETI; First Deputy Director General, Gazprom Energoholding

**Members of the Nomination and Remuneration Committee for the period from September 10, 2014, to December 31, 2014**, appointed by the decision adopted by the Board of Directors of the Company on September 10, 2014 (composed of 3 people)

Name	Position <sup>22</sup>
A. A. Makarov <b>Chairman of the Committee</b>	Member of the Board of Directors, ROSSETI; Academician, Russian Academy of Sciences
A. S. Kalinin	Member of the Board of Directors, ROSSETI; First Vice President, OPORA RUSSIA All-Russian Public Organization of Small and Medium Business
S. N. Mironosetsky	Member of the Board of Directors of ROSSETI

The Committee consists only of independent nonexecutive directors, which meets the stock exchange requirements applicable to issuers whose shares are included on Quotation Lists 1 and 2 (A and B before June 9, 2014).

During 2014, the Nomination and Remuneration Committee held 4 meetings, dealing with 11 issues

From among the most significant issues considered by the in 2014, it is important to mention the following:

- Approval of qualification requirements for the chief executives of subsidiaries and dependent companies of ROSSETI
- Personnel and Social Policy of ROSSETI

#### Participation of members of the Nomination and Remuneration Committee in corporate actions in 2014

#	Name	Total	Meetings	Absentee Voting
1	Boris Ilyich Ayuyev	2	-	2
2	Alexander Sergeyevich Kalinin	2	-	2
3	Alexei Aleksandrovich Makarov	2	-	2

<sup>21</sup> The positions specified are as of the time of election.

<sup>22</sup> The positions specified are as of the time of election.

4	Sergei Nikolaevich Mironosetsky	2	-	2
5	Vasily Vladislavovich Nikonov	2	-	2
6	Maria Valerievna Ochirova	2	-	2
7	Elena Borisovna Titova	2	-	2
8	Pavel Olegovich Shatsky	1	-	1

□ Further information about the Committee can be found on the corporate website at [http://www.rosseti.ru/about/management/komitet\\_of\\_hr/](http://www.rosseti.ru/about/management/komitet_of_hr/)

## Valuation Committee

The goal of the Valuation Committee is to assist the Board of Directors in its functions related to developing and supervising asset and business valuation for the Company, its SDCs, new companies, and other economic entities involved in transactions. This work is in accordance with the requirements set forth in Federal Law of the Russian Federation No. 135-FZ of July 29, 1998, “On Valuation Activities in the Russian Federation” and Federal Valuation Standards.

The principal objectives of the Valuation Committee are as follows: supervising activities related to the appraisal of assets for the Company and SDCs; engaging independent experts to advise on the issues falling within the competence of the Committee.

In 2014, there was one change of the composition of the Valuation Committee of the Board of Directors of the Company.

**Members of the Valuation Committee for the period from January 1, 2014, to September 10, 2014**, appointed by the decision adopted by the Board of Directors of the Company on October 21, 2013

Name	Position <sup>23</sup>
D. M. Belenky <b>Chairman of the Committee</b>	First Deputy Director General for Investment ROSSETI
A. M. Airapetyan	Director of the Property Accounting and Management Department, ROSSETI
A. A. Balaeva	Head of the Audit Department of the Division for Organization of Federal Property Valuation, Federal Agency for State Property Management of the Russian Federation
V. V. Valyagin	Head of the “Sale of Noncore Assets” Project Office, OOO Gazprom Energoholding
Ye. V. Petrovskaya	General Director, Association of Russian Valuation Masters Self-Regulatory Organization
R. V. Pugachyov	Head of the Finance Department, Mezhhregionenergosbyt
S. Remes	Member of the Board of Directors, ROSSETI; Director General, Kiuru
A. A. Sukhov	Deputy Chairman of the Management Board, TSA
S. A. Tabakova	President, Russian Society of Appraisers
E. B. Titova	Member of the Board of Directors of ROSSETI
M. A. Fedotova	Deputy Rector, Financial University under the Government of the Russian Federation, and President, SMAO Association of Appraisers

<sup>23</sup> The positions specified are as of the time of election.

V. K. Yavorsky	Member of the Presidium, OPORA RUSSIA All-Russian Public Organization of Small and Medium Business, and Chairman, OSBI-CLASS Audit and Consulting Group
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**Members of the Valuation Committee for the period from September 10, 2014, to December 31, 2014**, appointed by the decision adopted by the Board of Directors of the Company on September 10, 2014 (composed of 10 people)

Name	Position
D. M. Belenky <b>Chairman of the Committee</b>	Member of the Management Board, First Deputy Director General for Investment ROSSETI
A. M. Airapetyan	Director of the Property Accounting and Management Department, ROSSETI
A. A. Balaeva	Head of the Audit Department of the Division for Organization of Federal Property Valuation, Federal Agency for State Property Management of the Russian Federation
V. V. Valyagin	Head of the "Sale of Noncore Assets" Project Office, OOO Gazprom Energoholding
K. V. Zavizenov	Deputy Director of the Electric Power Industry Development Department, Ministry of Energy of the Russian Federation
Ye. V. Petrovskaya	General Director, Association of Russian Valuation Masters Self-Regulatory Organization
S. A. Tabakova	President, Russian Society of Appraisers
M. A. Fedotova	Deputy Rector, Financial University under the Government of the Russian Federation, and President, SMAO Association of Appraisers
A. V. Shevchuk	Executive Director, Investor Protection Association
V. K. Yavorsky	Member of the Presidium, OPORA RUSSIA All-Russian Public Organization of Small and Medium Business, and Chairman, OSBI-CLASS Audit and Consulting Group

During 2014, the Valuation Committee held 6 meetings, dealing with 21 issues related to asset valuation for the purposes of acquisition and disposal

#### Participation of members of the Valuation Committee in corporate actions in 2014

#	Name	Total	Meetings	Absentee Voting
1	Arman Mushegovich Airapetyan	6	-	6
2	Anna Alekseyevna Balaeva	6	-	6
3	Dan Mikhailovich Belenky	6	-	6
4	Vladimir Viktorovich Valyagin	6	-	6
5	Konstantin Vladimirovich Zavizenov	3	-	3
6	Yelena Vladimirovna Petrovskaya	5	-	5
7	Roman Viktorovich Pugachyov	3	-	3

8	Seppo Juha Remes	1	-	1
9	Aleksey Albertovich Sukhov	3	-	3
10	Svetlana Alekseyevna Tabakova	6	-	6
11	Elena Borisovna Titova	3	-	3
12	Marina Alekseyevna Fedotova	6	-	6
13	Alexander Viktorovich Shevchuk	3	-	3
14	Viktor Korneyevich Yavorsky	6	-	6

Further information about the Committee can be found on the corporate website at [http://www.rosseti.ru/about/management/komitet\\_of\\_assets/](http://www.rosseti.ru/about/management/komitet_of_assets/)

### Investment, Technical Policy, Reliability, Energy Efficiency, and Innovation Committee

The goal of the Investment, Technical Policy, Reliability, Energy Efficiency, and Innovation Committee is to assist the Board of Directors of the Company in performing its functions related to ensuring the implementation of the Company's investment and technical policies, reliability assurance, energy efficiency, and innovative development of the Company.

The principal objectives of the Committee are as follows:

- analyze proposals and formulate recommendations for the Company's Board of Directors with respect to the implementation of the investment and technical policies, reliability assurance, energy efficiency, and innovative development of the Company,
- monitor the implementation of:
  - the consolidated investment program of the Company,
  - the Annual Comprehensive Procurement Program of the Company's SDCs with respect to large investees,
  - the Consolidated Innovative Development Program of the Company,
  - the Consolidated Energy Conservation and Energy Efficiency Enhancement Program of the Company,
  - the Regulations for the Uniform Technical Policy of ROSSETI in the Distribution Grid Sector;
- analyze proposals and formulate recommendations for the Company's Board of Directors with respect to the preparation of and amendments to internal corporate documents (standards, codes, regulations, procedures, forms) in relation to the investment and technical activities, reliability assurance, energy efficiency, and innovative development of the Company,
- analyze applicable regulatory documents and formulate recommendations for the Company's Board of Directors with respect to the implementation of the investment and technical policies, reliability assurance, energy efficiency, and innovative development of the Company.

In the reporting period, there was one change of the composition of the Investment, Technical Policy, Reliability, Energy Efficiency, and Innovation Committee.

**Members of the Investment, Technical Policy, Reliability, Energy Efficiency, and Innovation Committee for the period from January 1, 2014, to September 10, 2014,** appointed by the decision adopted by the Board of Directors of the Company on October 21, 2013

Name	Position <sup>24</sup>
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<sup>24</sup> The positions specified are as of the time of election.

B. I. Ayuyev <b>Chairman of the Committee</b>	Member of the Board of Directors, ROSSETI; Chairman of the Management Board, SO UPS
D. M. Belenky	Deputy Chairman of the Committee; First Deputy Director General for Investment ROSSETI
S. O. Ashirov	Member of the Board of Directors, ROSSETI; Director General, Mezhtregionenergosbyt
V. S. Bezzubtsev	Deputy Head of the Federal Service for Environmental, Technological and Nuclear Supervision of the Russian Federation
R. N. Berdnikov	Member of the Management Board, First Deputy Director General for Technical Policy, ROSSETI
D. I. Gotlib	Deputy Director General for Sales and Development of Services, ROSSETI
A. I. Dybov	Advisor to the Chairman of the Board of Directors, ROSSETI
A. F. Dyakov	President, Unified Energy Sector of Russia Corporation, and President, NP STC UPS
M. A. Kolesnikov	Member of the Presidium and Head of the Electric Power Committee, OPORA RUSSIA All-Russian Public Organization of Small and Medium Business
I. Yu. Korobkina	Deputy Head of the Division for Electric Utilities Development and Electric Utilities Marketing, Gazprom
P. Yu. Korsunov	Deputy Director General for Innovative Development, ROSSETI
V. V. Kudryavy	Advisor to President, EUROCEMENT Group
L. V. Mazo	Director General, CEMC UES
A. Ye. Murov	Member of the Board of Directors, ROSSETI; First Deputy Chairman of the Management Board, FGC UES
A. S. Naryshkin	Deputy Head of the Administrative Office of the Chairman of the Board of Directors, FGC UES
D. V. Ponomarev	-
E. Ferlenghi	Member of the Board of Directors, ROSSETI; Head of the Eni Representative Office in the Russian Federation and the CIS
T. V. Fisenko	Director of the Budget Planning and Accounting Department, Ministry of Energy of the Russian Federation
A. N. Shishkin	Member of the Board of Directors, ROSSETI; Vice President, Rosneft

**Members of the Investment, Technical Policy, Reliability, Energy Efficiency, and Innovation Committee for the period from September 10, 2014, to December 31, 2014,** appointed by the decision adopted by the Board of Directors of the Company on September 10, 2014 (composed of 20 people)

Name	Position <sup>25</sup>
B. I. Ayuyev <b>Chairman of the Committee</b>	Member of the Board of Directors, ROSSETI; Chairman of the Management Board, SO UPS
D. M. Belenky	Deputy Chairman of the Committee; member of the Management Board, First Deputy Director General for Investment ROSSETI
S. A. Balaeva	Deputy Director General for Investment, ROSSETI
O. G. Barkin	Member of the Board of Directors, ROSSETI; Deputy Chairman of the Board, NP Market Council

<sup>25</sup> The positions specified are as of the time of election.

R. N. Berdnikov	Member of the Management Board, First Deputy Director General for Technical Policy, ROSSETI
Yu. Ye. Dolin	Deputy Director General for Capital Construction, Gazprom Energoholding
V. F. Vashkevich	Deputy Director General for Grid Development and Service Provision, North-West MES, a branch of FGC UES
Ye. N. Zemlyanoy	Deputy Director General for Economic Affairs and Finance, Gazprom Energoholding
B. I. Mekhanoshin	Member of the Editorial Board, <i>Electricity. Transmission and Distribution</i> , expert of the Committee on Energy, State Duma of the Russian Federation, and member of the Board of Directors, CES Group
M. A. Kolesnikov	Member of the Presidium and Head of the Electric Power Committee, OPORA RUSSIA All-Russian Public Organization of Small and Medium Business
I. Yu. Korobkina	Deputy Head of the Division for Electric Utilities Development and Electric Utilities Marketing, Gazprom
L. V. Mazo	Director General, CEMC UES
D. D. Mikheev	Head of the Long-Term Electric Power Industry Development Unit of the Electric Power Industry Development Department, Ministry of Energy of the Russian Federation
A. V. Molsky	Deputy Chairman of the Management Board, FGC UES
V. V. Nikonov	Director of the Energy Department, Rosneft
Yu. V. Osokin	Director General, Startelecom, and member of the Presidium, OPORA RUSSIA All-Russian Public Organization of Small and Medium Business
D. V. Ponomarev	Director for Government and Public Relations, EN+ Group
V. V. Sofyin	Director of the Department for Technological Development and Innovation, ROSSETI
A. V. Shevchuk	Executive Director, Investor Protection Association
A. N. Shishkin	Member of the Board of Directors, ROSSETI; Vice President, Rosneft

During 2014, the Investment, Technical Policy, Reliability, Energy Efficiency, and Innovation Committee held 12 meetings, dealing with 20 issues

From among the most significant issues considered by the in 2014, it is important to mention the following:

- Review of the consolidated investment program of ROSSETI for 2015–2019.
- Innovative Development, Energy Conservation, and Energy Efficiency Policy of ROSSETI
- Formulation of the Unified Energy Conservation and Energy Efficiency Enhancement Program of Subsidiaries and Dependent Companies of ROSSETI
- Approval of the Annual Comprehensive Procurement Program of ROSSETI for 2014
- Ongoing measures to improve the efficiency of implementing investment programs of subsidiaries and dependent companies of ROSSETI, including the programs ensuring the

implementation of the relevant decisions of the Government of the Russian Federation and federal executive authorities

- Approval of the Innovative Development Program of ROSSETI for 2014–2018 with long-term plans until 2020
- Progress in conducting the technological and price audit of investment programs of subsidiaries and dependent companies of ROSSETI
- Approval of the Schedule of Formulating the Consolidated Investment Program of ROSSETI and Reporting on Its Implementation
- Review of the Investment Policy of ROSSETI

#### **Participation of members of the Investment, Technical Policy, Reliability, Energy Efficiency, and Innovation Committee in corporate actions in 2014**

<b>#</b>	<b>Name</b>	<b>Total</b>	<b>Meetings</b>	<b>Absentee Voting</b>
1	Stanislav Olegovich Ashirov	6	-	6
2	Boris Ilyich Ayuyev	12	-	12
3	Svetlana Alexandrovna Balaeva	6	-	6
4	Oleg Gennadyevich Barkin	4	-	4
5	Valery Sergeyeovich Bezzubtsev	0	-	0
6	Dan Mikhailovich Belenky	12	-	12
7	Roman Nikolaevich Berdnikov	10	-	10
8	Vladimir Frantishkovich Vashkevich	5	-	5
9	Dmitry Igorevich Gotlib	2	-	2
10	Yuri Yefimovich Dolin	6	-	6
11	Alexander Ivanovich Dybov	6	-	6
12	Anatoly Fyodorovich Dyakov	4	-	4
13	Yevgeny Nikolayevich Zemlyanoy	5	-	5
14	Mikhail Aleksandrovich Kolesnikov	10	-	10
15	Irina Yurievna Korobkina	12	-	12
16	Pavel Yurievich Korsunov	4	-	4
17	Viktor Vasilyevich Kudryavy	5	-	5
18	Leonid Vladimirovich Mazo	6	-	6
19	Boris Iosifovich Mekhanoshin	5	-	5
20	Dmitry Dmitryevich Mikheev	3	-	3
21	Aleksey Valeryevich Molsky	3	-	3
22	Andrey Yevgenyevich Murov	6	-	6

23	Andrey Sergeyevich Naryshkin	4	-	4
24	Vasily Vladislavovich Nikonov	4	-	4
25	Yuri Vladimirovich Osokin	5	-	5
26	Dmitry Valeryevich Ponomarev	11	-	11
27	Vladimir Vladimirovich Sofyin	5	-	5
28	Ernesto Ferlenghi	5	-	5
29	Tatiana Vladimirovna Fisenko	0	-	0
30	Alexander Viktorovich Shevchuk	4	-	4
31	Andrey Nikolayevich Shishkin	5	-	5

Further information about the Committee can be found on the corporate website at [http://www.rosseti.ru/about/management/committee\\_investments/](http://www.rosseti.ru/about/management/committee_investments/)

### Society, Customer, and Government Relations and Information Policy Committee

The principal goal of the Society, Customer, and Government Relations and Information Policy Committee is to formulate recommendations for the Board of Directors of the Company with respect to improving the Company's activities in the area of relations with governmental agencies and local government authorities, improving the quality and reliability of customer service, and implementing the Company's uniform information policy.

The principal objectives of the Committee are to provide the Board of Directors of the Company with recommendations for:

- implementing the Company's uniform internal and external information policies,
- maintaining relations with governmental agencies and local government authorities,
- maintaining relations across a broad spectrum with civil society (including public organizations and movements, labor unions, and environmentalist associations),
- improving customer service quality,
- implementing the government's policy on the satisfaction of households' socially important needs and interests.

In 2014, there was one change of the composition of the Society, Customer, and Government Relations and Information Policy Committee.

**Members of the Society, Customer, and Government Relations and Information Policy Committee for the period from January 1, 2014, to September 10, 2014**, appointed by the decision adopted by the Board of Directors of the Company on October 21, 2013

Name	Position <sup>26</sup>
V. Ye. Mezhevich <b>Chairman of the Committee</b>	Deputy Director General for Strategic Communications
D. A. Bobkov	Director of the Department for Information Policy and Public Relations, ROSSETI

<sup>26</sup> The positions specified are as of the time of election.

G. V. Boos	Member of the Board of Directors, ROSSETI; President, Boos Lighting Group Management Company
I. F. Esipova	General Director, Center for Communication Development in the Energy Sector
A. V. Ilyashenko	Chairman of the Management Board, Regional Media Network, and analyst, Voice of Russia
A. S. Kalinin	Vice President, OPORA RUSSIA All-Russian Public Organization of Small and Medium Business
P. A. Kiryan	Editor-in-Chief, RBC Daily
D. A. Klokov	Director of External Communications, FGC UES
A. Ya. Reznichenko	Editor-in-Chief, RIA Science
S. Remes	Member of the Board of Directors, ROSSETI; Director General, Kiuru
N. D. Rogalev	Rector, Moscow Power Engineering Institute (National Research University)
V. I. Salygin	Director, International Institute of Energy Policy and Diplomacy of the Moscow State Institute of International Relations (University) of the Ministry of Foreign Affairs of the Russian Federation
E. Ferlenghi	Member of the Board of Directors, ROSSETI; Head of the Eni Representative Office in the Russian Federation and the CIS
A. A. Khurudzhi	Chairman of the Management Board, Noncommercial Partnership of Territorial Power Grid Organizations

**Members of the Society, Customer, and Government Relations and Information Policy Committee for the period from September 10, 2014, to December 31, 2014**, appointed by the decision adopted by the Board of Directors of the Company on September 10, 2014 (composed of 9 people)

Name	Position <sup>27</sup>
V. Ye. Mezhevich <b>Chairman of the Committee</b>	Member of the Management Board, Deputy Director General for Strategic Communications
D. A. Bobkov	Director of the Department for Information Policy and Public Relations, ROSSETI
I. F. Esipova	General Director, Center for Communication Development in the Energy Sector
A. N. Zharkov	Chairman of the Board, Moscow City Branch of OPORA RUSSIA All-Russian Public Organization of Small and Medium Business
A. V. Ilyashenko	Chairman of the Management Board, Regional Media Network, and analyst, Voice of Russia
A. M. Lyubimov	Member of the Executive Board, RBC
V. I. Salygin	Director, International Institute of Energy Policy and Diplomacy of the Moscow State Institute of International Relations (University) of the Ministry of Foreign Affairs of the Russian Federation
A. A. Khurudzhi	Chairman of the Management Board, Noncommercial Partnership of Territorial Power Grid Organizations
A. A. Erdyniev	Deputy Director of the Electric Power Industry Development Department, Ministry of Energy of the Russian Federation

<sup>27</sup> The positions specified are as of the time of election.

During 2014, the Society, Customer, and Government Relations and Information Policy Committee held 3 meetings, dealing with 3 issues

- Review of the report on the findings of social research,
- Policy on Society, Customer, and Government Relations of ROSSETI,
- Review of the performance report of the Society, Customer, and Government Relations and Information Policy Committee of the Board of Directors of ROSSETI.

#### Participation of members of the Society, Customer, and Government Relations and Information Policy Committee in corporate actions in 2014

#	Name	Total	Meetings	Absentee Voting
1	Dmitry Alekseyevich Bobkov	3	1	2
2	Georgy Valentinovich Boos	0	0	0
3	Irina Feliksovna Esipova	3	1	2
4	Andrey Vitalyevich Ilyashenko	3	1	2
5	Alexander Sergeyevich Kalinin	3	1	2
6	Pyotr Andreyevich Kiryan	2	1	1
7	Dmitry Aleksandrovich Klokov	2	1	1
8	Valentin Yefimovich Mezhevich	3	1	2
9	Andrey Yakovlevich Reznichenko	0	0	0
10	Seppo Juha Remes	2	1	1
11	Nikolay Dmitryevich Rogalev	2	1	1
12	Valery Ivanovich Salygin	3	1	2
13	Ernesto Ferlenghi	2	1	1
14	Alexander Aleksandrovich Khurudzhi	3	1	2

Further information about the Committee can be found on the corporate website at [http://www.rosseti.ru/about/management/interaction\\_with\\_society/](http://www.rosseti.ru/about/management/interaction_with_society/)

#### Remuneration for the Board of Directors and Committees

The amounts and payment procedure of remuneration and compensation for members of the Board of Directors of ROSSETI are defined by the Regulations for Remuneration and Compensation for Members of the Internal Audit Commission of ROSSETI (restated version) approved by the Annual General Meeting of Shareholders of the Company on June 30, 2014.

In accordance with the Regulations, the base amount of remuneration for serving on the Board of Directors is determined by the following criteria:

- the total number of meetings of the Board of Director for the closed corporate year, and the number of meetings in which the member of the Board of Directors takes part;

- the revenues calculated in accordance with Russian Accounting Standards and received in the financial year.

On top of the base remuneration, the Regulations specify the following premiums:

#	Position/Grounds for Remuneration	Premium*
1	Chairman of the Board of Directors of the Company	30%
2	Chairman of a specialized committee of the Board of Directors of the Company	20%
3	Member of a specialized committee of the Board of Directors of the Company	10%

\* No premium for holding office as chairman and/or a member of a specialized committee is paid if such committee of the Board of Directors holds less than three meetings in the corporate year

The Regulations specify that any member of the Board of Directors shall be compensated for expenses in connection with participation in a meeting of the Board of Directors in accordance with the rates applied by the Company to reimbursement for travel expenses at the time of such meeting.

No remuneration shall be paid to any member of the Board of Directors of the Company if such member fails to participate in more than 50% of the meetings held from the election of such member until the termination of such member's powers.

On June 30, 2014, the Annual General Meeting of Shareholders resolved not to pay remuneration for serving on the Board of Directors to members of the Board of Directors for 2013 as specified in the Regulations for Remuneration and Compensation for Members of the Board of Directors of the Company approved by the decision adopted by the Annual General Meeting of Shareholders of the Company on June 23, 2010.

#### **Expenses Associated with Liability Insurance for Members of the Board of Directors.**

ROSSETI takes out liability insurance for directors and officers (including members of the Board of Directors, members of the Management Board, and independent directors) to indemnify the Company's shareholders, creditors, and other persons for their damage (losses) caused by the mistakes and unintentional acts (omission to act) on the part of such directors and officers while they perform their managerial activities.

The insurance premium under the insurance contract is 3.5 million rubles, while the total insured amount (aggregate limit of liability) is 100 million US dollars.

The liability insurance contract provides directors and officers with coverage consistent with international insurance standards as to insured risks and indemnity limits.

#### **Management Board**

The Management Board of ROSSETI is a collegial executive body in charge of all of the Company's day-to-day activities.

The number of members of the Management Board is determined by and its members are appointed by the Board of Directors.

The Management Board performs the functions specified in the Articles of Association of the Company and acts in accordance with the Regulations for the Management Board approved by the Annual General Meeting of Shareholders of ROSSETI on June 30, 2014.

□ Further information about the Management Board can be found on the corporate website at [http://www.rosseti.ru/about/management/companys\\_management/](http://www.rosseti.ru/about/management/companys_management/)

In 2014, the Management Board was composed of the following members:

<b>1. Oleg Mikhailovich Budargin</b>	<b>Chairman of the Management Board, Director General</b>
Year of birth	1960
Education	Higher education, Candidate of Science (Economics)
<p>He started his career in 1984 as a foreman of the Construction Directorate of the Shaft Sinking Division of Norilsk Mining-and-Metallurgical Integrated Works; later, he was appointed as the Deputy Head of the Production Department of Norilskstroy; and in 1995, he took up his position as Deputy Director General of Norilsk Mining-and-Metallurgical Integrated Works.</p> <p>He was the Head of the Norilsk Municipality from 2000 and the Governor of the Taimyr (Dolgano-Nenets) Autonomous District from 2003.</p> <p>From 2009, he is the Chairman of the Management Board of Federal Grid Company of Unified Energy System.</p> <p>In June 2013, he was appointed as the Director General of ROSSETI.</p> <p>He is a member of the Presidential Commission for Strategic Development of the Fuel and Energy Sector and Environmental Security of the Russian Federation.</p> <p>He is Vice Chair, Responsibility for Regional Development, of the World Energy Council (WEC).</p> <p>Oleg Budargin has governmental and sectoral awards.</p>	
Stake held by the individual in the authorized capital of the issuer, %	none
Percentage of ordinary shares held by the individual in the issuer, %	none
Stakes held by the individual in the authorized (share) capital (unit trust) of the subsidiaries and dependent companies of the issuer	<p>Full corporate name: Open Joint-Stock Company Federal Grid Company of Unified Energy System</p> <p>INN (Taxpayer Identification Number): 4716016979</p> <p>OGRN (Principal State Registration Number): 1024701893336</p> <p>Stake held by the individual in the authorized capital of the entity, %: 0.00064</p> <p>Percentage of ordinary shares held by the individual in the entity, %: 0.00064</p>
<b>2. Dan Mikhailovich Belenky</b>	<b>Member of the Management Board, First Deputy Director General for Investment</b>
Year of birth	1972

Education	Higher education
<p>In May 2005, he joined Atomstroyexport as a division head, rising to the post of President.</p> <p>In December 2010, he was appointed as the Deputy Minister of Energy of the Russian Federation.</p> <p>In March 2012, he was awarded the rank of Active State Advisor 3rd Class.</p> <p>In June 2013, he took charge of EC UES as the Director General.</p> <p>In September 2013, he was appointed as the First Deputy Director General for Investment of ROSSETI.</p>	
Stake held by the individual in the authorized capital of the issuer, %	none
Percentage of ordinary shares held by the individual in the issuer, %	none
Stakes held by the individual in the authorized (share) capital (unit trust) of the subsidiaries and dependent companies of the issuer	the individual does not hold such stakes
No transactions to acquire or transfer shares	

<b>3. Roman Nikolaevich Berdnikov</b>	<b>Member of the Management Board, First Deputy Director General for Technical Policy</b>
Year of birth	1973
Education	Higher education
<p>From 1998 to 1999, he was an employee of the Tariffs and Technical-Economic Indicators Department of System Operator – Centralized Dispatching Administration.</p> <p>From 1999 to 2002, he worked for RAO UES of Russia, his career progressing from an employee of the Settlement and Dispatching Center of the Federal Wholesale Electricity and Capacity Market to a lead specialist of the Electricity Market Development Department.</p> <p>In October 2002, he became a chief specialist of the Strategic Planning Department of FGC UES.</p> <p>In 2003, he was promoted to the Deputy Head of the Strategic Planning Department. In 2005, he was appointed as the Head of the Service Development and Grid Reliability Department, which was later transformed into the Customer and Market Relations Department. In 2009, he became the Director for Development and Customer Relations of FGC UES. In October 2009, he was elected to the Management Board of FGC UES. From February 2010, he was the Deputy Chairman of the Management Board of FGC UES. From October 2012 to April 2013, he was the First Deputy Chairman of the Management Board of FGC UES.</p> <p>On April 9, 2013, he was appointed as the First Deputy Director General for Technical Policy of ROSSETI.</p>	
Stake held by the individual in the authorized capital of the issuer, %	none
Percentage of ordinary shares held by the individual in the issuer, %	none
Stakes held by the individual in the authorized (share) capital (unit trust) of the subsidiaries and	Full corporate name: Open Joint-Stock Company Federal Grid Company of Unified

dependent companies of the issuer	Energy System.  INN (Taxpayer Identification Number): 4716016979  OGRN (Principal State Registration Number): 1024701893336  Stake held by the individual in the authorized capital of the entity, %: 0.000000195  Percentage of ordinary shares held by the individual in the entity, %: 0.000000195
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<b>4. Andrey Aleksandrovich Dyomin</b>	<b>Member of the Management Board, First Deputy Director General for Economic Affairs and Finance</b>
Year of birth	1974
Education	Higher education
<p>From 1995 to 1998, he was employed as a technical engineer by Urania.</p> <p>From 1998 to 2002, he worked for Poltavaoblenergo, his career progressing from the Head of the Payment Collection Control Department to the Chairman of the Management Board.</p> <p>From 2004 to 2010, he worked for FGC UES, his career progressing from the Head of the Department for Regional Grid Facilities Management to the Deputy Chairman of the Management Board and a member of the Management Board.</p> <p>From 2010 to 2012, he was the Advisor to the Director General of Mezhhregionsbyt on strategic development.</p> <p>From 2012 to 2013, he was the Advisor to the Chairman of the Management Board of FGC UES.</p> <p>In 2013, he was appointed as the First Deputy Director General for Economic Affairs and Finance of ROSSETI.</p>	
Stake held by the individual in the authorized capital of the issuer, %	none
Percentage of ordinary shares held by the individual in the issuer, %	none
Stakes held by the individual in the authorized (share) capital (unit trust) of the subsidiaries and dependent companies of the issuer	the individual does not hold such stakes
No transactions to acquire or transfer shares	

<b>5. Valentin Yefimovich Mezhevich</b>	<b>Member of the Management Board, Deputy Director General for Strategic Communications<sup>28</sup></b>
Year of birth	1947

<sup>28</sup> The position specified is as of the time of election.

Education	Higher education, Candidate of Science (Engineering)
<p>He started his career in 1970 as a machine operator at Irkutskenergo's Irkutsk CHPP No. 11, rising to a senior machine operator, shift foreman, deputy shop superintendent, and shop superintendent.</p> <p>From 1978 to 1991, he worked for Ust-Ilimsk CHPP, Irkutsk Region, where he was promoted from a deputy shop superintendent to the director of Ust-Ilimsk CHPP.</p> <p>From 1991 to 1997, he was the Deputy Director General for Economic Affairs of Irkutskenergo.</p> <p>From 1997, he was the First Deputy Head of the Irkutsk Region Administration.</p> <p>In 2000, he was elected a deputy of the Irkutsk Region Legislative Assembly from Election District 45.</p> <p>In 2001, a regular session of the Irkutsk Region Legislative Assembly elected him a representative at the Federation Council of the Russian Federation. In September 2013, he resigned from the Federation Council of the Russian Federation as the First Deputy Chairman of the Committee on Economic Policy.</p> <p>In October 2013, he was appointed as the Deputy Director General for Strategic Communications of ROSSETI. From December, 2014, he is the Chief Advisor to ROSSETI.</p>	
Stake held by the individual in the authorized capital of the issuer, %	none
Percentage of ordinary shares held by the individual in the issuer, %	none
Stakes held by the individual in the authorized (share) capital (unit trust) of the subsidiaries and dependent companies of the issuer	the individual does not hold such stakes
No transactions to acquire or transfer shares	

The Company's Articles of Association specify that the Management Board of ROSSETI is in charge of the Company's day-to-day activities, develops and submits for consideration by the Board of Directors the priority areas of the Company's activities and long-term implementation plans, and addresses other issues related to the Company's operations.

Performance reports of the Management Board are considered by the Board of Directors of the Company on a quarterly basis.

During 2014, the Management Board ROSSETI adopted decisions on 197 issues documented in 85 meeting minutes, including 40 issues considered at in-person meetings and 71 meeting minutes containing decisions on 157 issues that were addressed at absentee meetings with voting by ballot

From among the most significant issues considered by the Management Board in 2014, it is important to mention the following:

- Implementation of the project to issue exchange-traded bonds of ROSSETI
- Settlement of overdue receivables for electricity distribution among electric grid companies of the ROSSETI Group
- Results of tariff regulation of Subsidiaries and Dependent Companies of ROSSETI for 2014 and their impact on the approved business plans of Subsidiaries and Dependent Companies

- Investment Policy of ROSSETI
- Approval of the Concept of Managing the Intellectual Property of ROSSETI and Subsidiaries and Dependent Companies of ROSSETI
- Draft of the Internal Audit Policy of ROSSETI
- Draft of a restated version of the Risk Management Policy of ROSSETI
- Approval of the Model Regulations for the Internal Audit Commission for subsidiaries and dependent companies of ROSSETI
- Approval of the Certification Technique and Procedure for Equipment, Materials, and Systems of Electric Grid Facilities of ROSSETI
- Measures to improve effectiveness of ROSSETI's financial operations
- Concept of Setting up the Federal Testing Center (FTC)
- Approval of the Model Standard "Technical Policy. Electricity Metering Systems with Remote Collection of Data from the Wholesale and Retail Electricity Markets at Facilities of Subsidiaries and Dependent Companies of ROSSETI"
- ROSSETI' objectives concerning regulation to support the operation of electric grid facilities and implement the Strategy for Development of ROSSETI
- Review of the Comprehensive Development Programs for Electricity Networks in the Stavropol Territory, the Kabardino-Balkarian Republic, the Karachayevo-Cherkessian Republic, the Republic of North Ossetia-Alania, the Republic of Ingushetia, the Republic of Dagestan, and the Chechen Republic for 2015–2019 with adjustments for 2014
- Possession and disposal of the electric grid infrastructure built as part of preparations for the Olympic Games in Sochi
- Procedure for preparing legislative initiatives in the ROSSETI Group
- Review of proposals to amend the current procedure for formulating, agreeing, and approving investment programs of subsidiaries and dependent companies of ROSSETI and the consolidated investment program of ROSSETI
- Approval of the Model Regulations for Technical Policy for Telecommunications for subsidiaries and dependent companies of ROSSETI
- Ongoing measures to improve the efficiency of implementing investment programs of subsidiaries and dependent companies of ROSSETI, including the programs ensuring the implementation of the relevant decisions of the Government of the Russian Federation and federal executive authorities
- Progress in preparing the Long-Term Development Program of ROSSETI for its consideration by the Government of the Russian Federation
- Improvement of the operating efficiency of the electric grid sector
- Status of the implementation by Subsidiaries and Dependent Companies of ROSSETI of instructions issued by governmental authorities of the Russian Federation, the Board of Directors of ROSSETI, and executive bodies of ROSSETI
- Support provided by the ROSSETI Group for domestic food and agricultural producers
- Long-term development program of FGC UES for 2015–2019 and the forecast for the period until 2030
- Progress in performing the agreement between ROSSETI and State Grid Corporation of China
- Draft of the Forecast of the Socioeconomic Development of the Russian Federation for 2015 and the Planning Period of 2016 and 2017 and its impact on preparing business plans and investment programs of subsidiaries and dependent companies of ROSSETI for 2015–2019

- Measures to ensure the proper functioning of electricity transmission grids in the Crimean Federal District during the 2014/15 Heat Deficit Period
- Approval of the Technique for Calculating the Reduction of the ROSSETI Group's General and Administrative Expenses in 2014 by at Least 15 Percent of Their Actual Value in 2013
- Feasibility study of setting up the Federal Testing Center (FTC)
- Approval of the Regulations for Credit Policy of ROSSETI
- Progress in conducting the technological and price audit of investment programs of subsidiaries and dependent companies of ROSSETI
- Approval of a restated version of the Regulations for Dividend Policy of ROSSETI
- Review of the Standard for Auditing the Implementation of the Long-Term Development Program of ROSSETI
- Measures to implement the Presidential Address to the Federal Assembly of the Russian Federation of December 4, 2014
- Approval of the action plan to improve mechanisms for controlling day-to-day activities of subsidiaries and dependent companies of ROSSETI
- Creation of electronic trading floors of ROSSETI and the formation of a common information space for procurement

#### Participation of Members of the Management Board in Corporate Actions in 2014

#	Name	Total	Meetings	Absentee Voting
1	Oleg Mikhailovich Budargin	86	14	72
2	Dan Mikhailovich Belenky	80	11	69
3	Roman Nikolaevich Berdnikov	78	11	67
4	Andrey Aleksandrovich Dyomin	85	14	71
5	Valentin Yefimovich Mezhevich	75	12	63

#### Procedure for Electing Members of the Management Board

The number of the members of the Management Board shall be determined by the decision adopted by the Company's Board of Directors at the suggestion of the Company's Director General. The Director General of the Company shall submit any nomination for a member of the Management Board for review by the Board of Directors, except for his/her own nomination.

The members of the Management Board, including the Director General, are elected and their powers are terminated earlier by the Board of Directors of the Company. The Chairman of the Board of Directors of the Company or the person authorized by the Board of Directors of the Company shall define the terms and conditions of employment contracts, including the term of office, exercise the employer's rights and perform the employer's obligations on behalf of the Company with respect to the Director General of the Company and the members of the Management Board of the Company.

The Board of Directors of the Company may at any time terminate the powers of any member of the Management Board and terminate the employment contract with such member.

If any member of the Management Board of the Company also holds another position on the staff of the Company, then the termination of his/her powers as a member of the Management Board shall not entail dismissing him/her from his/her position on the staff.

If the number of the members of the Management Board of the Company becomes smaller than half of the elected members of the Management Board, the Director General shall submit for review by the Board of Directors new nominations for the members of the Management Board to replace the exiting members or shall put forward a motion to reduce the number of the members of the Management Board to the number necessary for the meeting to have a quorum.

Any member of the Management Board of the Company may, at his/her discretion, withdraw from the Management Board by applying for the early termination of his/her powers as a member of the Management Board to the Director General of the Company. In this connection, his/her powers will be terminated after the Board of Directors of the Company makes a decision on such termination.

The Director General of the Company and the members of the Management Board of the Company shall be on the staff of the Company's executive arm.

□ Further information about the Management Board can be found on the corporate website at <http://www.rosseti.ru/about/management/Pravlenie/>

### Sole Executive Body

The Director General of the Company shall be in charge of the Company's day-to-day activities pursuant to decisions adopted by the General Meeting of Shareholders and the Board of Directors of the Company within their competence. The competence of the Director General of the Company shall include all matters related to the management of the Company's day-to-day activities, except for any issues falling within the competence of the General Meeting of Shareholders, the Board of Directors, or the Management Board of the Company.

On June 14, 2013, the Board of Directors of ROSSETI resolved to appoint O. M. Budargin as the Director General of ROSSETI.

<b>Oleg Mikhailovich Budargin</b>	<b>Chairman of the Management Board, Director General</b>
Year of birth	1960
Education	Higher education, Candidate of Science (Economics)
<b>Biographical background:</b>	
He started his career in 1984 as a foreman of the Construction Directorate of the Shaft Sinking Division of Norilsk Mining-and-Metallurgical Integrated Works; later, he was appointed as the Deputy Head of the Production Department of Norilskstroy; and in 1995, he took up his position as Deputy Director General of Norilsk Mining-and-Metallurgical Integrated Works.	
He was the Head of the Norilsk Municipality from 2000 and the Governor of the Taimyr (Dolgano-Nenets) Autonomous District from 2003.	
From 2009, he is the Chairman of the Management Board of Federal Grid Company of Unified Energy System.	
In June 2013, he was appointed as the Director General of ROSSETI.	
He is a member of the Presidential Commission for Strategic Development of the Fuel and Energy Sector and Environmental Security of the Russian Federation.	
He is Vice Chair, Responsibility for Regional Development, of the World Energy Council (WEC).	
Oleg Budargin has governmental and sectoral awards.	

Stake held by the individual in the authorized capital of the issuer, %	none
Percentage of ordinary shares held by the individual in the issuer, %	none
Stakes held by the individual in the authorized (share) capital (unit trust) of the subsidiaries and dependent companies of the issuer	<p>Full corporate name: Open Joint-Stock Company Federal Grid Company of Unified Energy System</p> <p>INN (Taxpayer Identification Number): 4716016979</p> <p>OGRN (Principal State Registration Number): 1024701893336</p> <p>Stake held by the individual in the authorized capital of the entity, %: 0.00064</p> <p>Percentage of ordinary shares held by the individual in the entity, %: 0.00064</p>

### Remuneration for Members of the Management Board in 2014

In 2014, the Company paid 277,049,000 rubles as remuneration for members of the Management Board as detailed in the table below:

Indicator Description	Amount, thousand rubles*
Remuneration for participation in the work of the management body	8,333
Salary	104,591
Bonuses	161,922
Commission fees	0
Benefits	0
Expense reimbursement	0
Other remuneration	2,203
<b>TOTAL</b>	<b>277,049</b>

\* The amount includes remuneration paid to the sole executive body.

### Internal Audit Commission

#### Members of the Internal Audit Commission

Name	Position <sup>29</sup>
Alan Fyodorovich Khadziev <b>Chairman of the Internal Audit Commission</b>	Division Head, Ministry of Energy of the Russian Federation
Denis Rishievich Kant Mandal	Acting Division Head, Federal Agency for State Property Management of the Russian Federation
Vladimir Yulianovich Skobarev	General Director, Moore Stephens Rus
Vladimir Vasilyevich Khvorov	Lead Expert of the Division, Ministry of Economic Development of the Russian Federation
Astkhik Artashesovna Bashindzhagyan	Consultant of the Division, Ministry of Energy of the Russian Federation

<sup>29</sup> The positions specified are as of the time of election.

## Remuneration paid to members of the Internal Audit Commission in 2014

The amount of remuneration paid to members of the Internal Audit Commission in 2014 is 607,000 rubles.

### External Auditor

Based on the results of a public bidding procedure for the right to enter into the agreement to conduct a mandatory annual audit of the statements of ROSSETI for 2014 (the Minutes of the Meeting of the Bidding Commission of April 8, 2014), the Annual General Meeting of Shareholders of ROSSETI approved on June 30, 2014, Ernst & Young LLC as the Company's auditor (hereinafter, the "Auditor").

Ernst & Young LLC is a member of Ernst & Young Global Limited, one of the Big Four accounting firms. Location: Russia, 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, str. 1.

The Auditor of the Company is a member of a self-regulatory organization of auditors, the Auditor Chamber of Russia, in accordance with the decision adopted by the Board of the Auditor Chamber of Russia on December 21, 2009, and is registered on the Register of Auditors and Audit Organizations of the self-regulatory organization of auditors, the Auditor Chamber of Russia, under Principal Registration Number 10201017420 (Membership Certificate No. 3028, Series B No. 000517).

The Auditor's professional liability is insured by AlfaStrakhovanie (Russia, Moscow, ul. Shabolovka, 31B, INN (Taxpayer Identification Number) 7713056834), Insurance Policy No. Z691J/756/0002/4, valid until May 31, 2015.

The Auditor's independence and objectivity are duly proved.

In accordance with the provisions of the Corporate Governance Code recommended by the Bank of Russia (Letter No. 06-52/2463 of April 10, 2014), Regulation of the Bank of Russia No. 437-P of October 17, 2014, "On Conducting Regulated Trading," and the Regulations for the Audit Committee of the Board of Directors of ROSSETI, the Auditor's report was assessed by the Audit Committee of the Board of Directors of ROSSETI.

The Audit Committee of the Board of Directors ROSSETI stated that:

- the audit was conducted in accordance with the terms and conditions of the agreement between Ernst & Young LLC and ROSSETI and subject to the audit procedures;
- the auditor's report is in compliance with the requirements set forth in Federal Law No. 307-FZ of December 30, 2008, "On Auditing" and Federal Auditing Rules (Standards).



## Internal Control, Internal Audit, and Risk Management

The principal goal of the ROSSETI Group's internal control is to provide reasonable assurance that the Company and ROSSETI's subsidiaries and dependent companies achieve the goals in the following areas:

- efficiency, cost effectiveness, and productivity of organizing the Company's and its SDCs' activities,
- compliance with the legal requirements applicable to the Company's and its SDCs' activities and with the requirements set forth in the Company's and SDCs' internal documents,
- prevention of wrongful acts on the part of the Company's and its SDCs' employees and third parties in relation to the Company's and its SDCs' assets,
- reliability, completeness, and timeliness of preparing all kinds of reports.

The effectiveness of the internal control system relies on the interrelationship of three constituent management processes:

- organization of effective internal control over business processes,
- risk management,
- internal audit and independent evaluation,
- auditorial control.

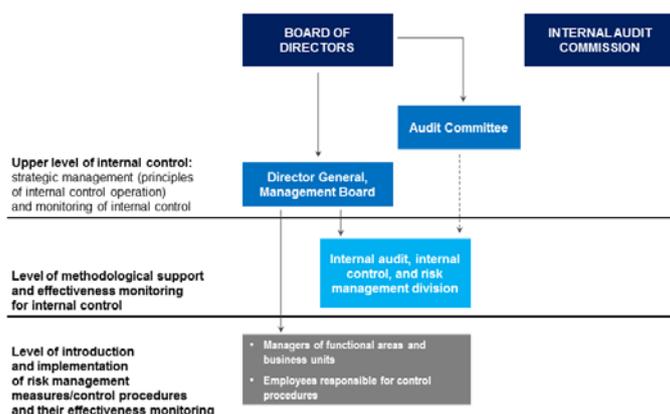
### Key internal regulatory documents of the Company on internal control:

- Strategy for Developing and Improving the Internal Control System of ROSSETI and Subsidiaries and Dependent Companies of ROSSETI approved by the decision adopted by the Board of Directors of ROSSETI on February 10, 2014
- Internal Control Policy of ROSSETI approved by the decision adopted by the Board of Directors of ROSSETI on April 28, 2014
- Risk Management Policy of ROSSETI approved by the decision adopted by the Board of Directors of ROSSETI on April 28, 2014
- Internal Audit Policy of ROSSETI approved by the decision adopted by the Board of Directors of ROSSETI on April 28, 2014

☐ Regulatory documents of ROSSETI on internal control can be found on the corporate website at [http://www.rosseti.ru/investors/info/charter\\_and\\_internal\\_documents/](http://www.rosseti.ru/investors/info/charter_and_internal_documents/)

## Internal Control System Participants; Their Authority and Responsibilities

The ROSSETI Group takes a unified approach to organizing its internal control system:



## **Internal Audit Commission**

The competence of the Internal Audit Commission of the Company and the internal audit commissions of SDCs includes:

- exercising control of the Company's and SDCs' financial and economic activities;
- ensuring compliance of business transactions conducted by the Company and SDCs with the laws of the Russian Federation and the Articles of Association of the Company and SDCs;
- making an independent assessment of information about the Company's and SDCs' financial condition;
- assuring the reliability of information contained in reports and other financial documents of the Company and SDCs.

## **Board of Directors**

Within the internal control system, the competence of the Board of Directors of the Company includes ensuring the creation, supervising the operation, and defining the general development strategy of the Company's internal control system. The corresponding functions are performed by the boards of directors of ROSSETI SDCs under the internal control, internal audit, and risk management policies approved in 2014 in accordance with the Model Internal Control Policy, the Model Internal Audit Policy, and the Model Risk Management Policy approved by ROSSETI on June 6, 2014.

## **Audit Committee**

Within the internal control system, the Audit Committee of the Board of Directors of the Company:

- ensures the selection of the external auditor;
- monitors the preparation of accounting (financial) statements and conducts their preliminary reviews;
- assesses external auditors' reports;
- reviews the internal audit policy;
- is responsible for the functional management of internal audit;
- reviews the report on key risks;
- is responsible for the prior approval of the internal documents defining the principles of and approaches to organizing the internal control and risk management system;
- assesses the effectiveness of the internal control system and prepares proposals for its improvement.

Within the internal control system, the audit committees of the boards of directors of ROSSETI SDCs perform the functions specified above.

## **Management Board**

SDCs' management boards review and analyze reports on the status of SDCs' internal control and risk management systems, while the Management Board of ROSSETI does the same in relation to the entire ROSSETI Group.

## **Director General**

Within the internal control system, the Director General of the Company and the sole executive bodies of the Company's SDCs:

- ensure the creation and operation of the Company's and SDCs' effective and reliable internal control and risk management system;

- formulate proposals to improve the internal control system of the Company and SDCs.

A unified approach to building up the ROSSETI Group's internal control and risk management system and improving the effectiveness of control over SDCs' activities are ensured by ROSSETI's representatives' participation on SDCs' boards of directors and the audit committees of SDCs' boards of directors.

### **Managers of Functional Areas and Divisions**

Within the internal control system, the managers of the Company's and SDCs' functional areas and divisions:

- are responsible for the effective attainment of the operating goals of supervised processes;
- assess supervised processes (areas of activities) for the necessity for their optimization with the aim of improving their efficiency;
- manage risks involved in supervised processes;
- ensure that the discovered deficiencies in control procedures and the control environment of processes are corrected.

### **Personnel of Divisions**

Personnel of the Company's and SDCs' divisions who are responsible for control procedures by virtue of their employment duties:

- implement control procedures as specified in their job descriptions and the applicable regulations;
- monitor the implementation of control procedures;
- perform control self-assessments and participate in improving the internal control system;
- ensure that their immediate supervisors are informed in a timely manner that it is necessary to redesign control procedures/risk management measures due to changes in the internal and/or external environment of the Company's and SDCs' operations.

### **Internal Audit, Internal Control, and Risk Management Division**

Methodological support for the ROSSETI Group's internal control and risk management system and the Company's internal audit in 2014 were the responsibility of the Internal Audit and Control Department of ROSSETI.

As part of preventive and routine control, this department was responsible for:

- developing and ensuring the implementation of basic and methodological documents in relation to building and improving the internal control, risk management, and internal audit system;
- assisting management in building a control environment;
- coordinating activities in relation to maintaining and monitoring the target state of the internal control and risk management system;
- applying additional routine control procedures in key and high-risk business processes.

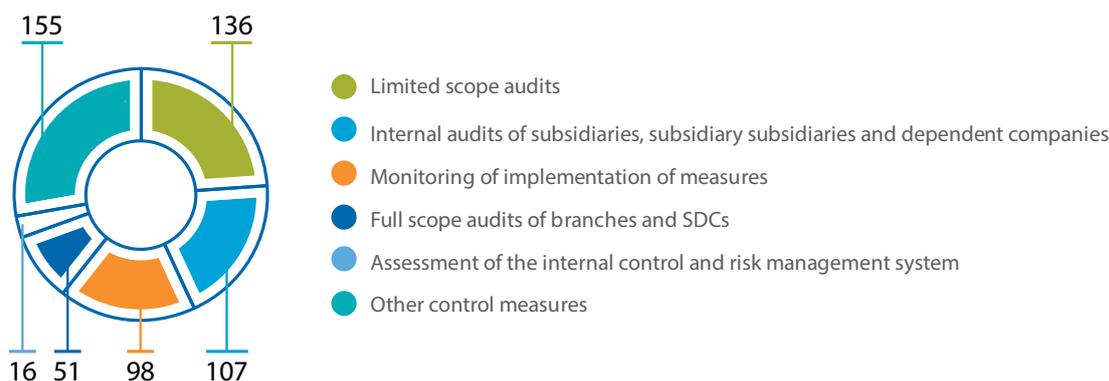
As part of follow-up control, the Internal Audit and Control Department of JSC ROSSETI, jointly with SDCs' internal audit divisions:

- conducted internal audits of divisions, branches, business processes, projects, and activities;
- assessed the reliability and effectiveness of internal control and risk management;
- formulated recommendations to improve the efficiency of operations, enhance corporate governance, and increase the effectiveness of internal controls and risk management processes.

In 2014, the number of employees responsible for internal audit, internal control, and risk management in ROSSETI and ROSSETI's subsidiaries and dependent companies (a total of 18 organizations) was 168

### Key Results of Control Measures in 2014

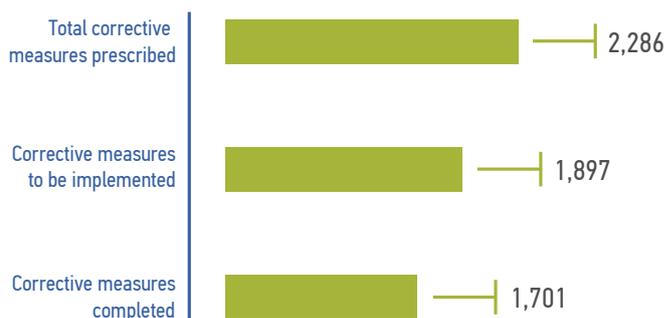
The units responsible for internal audit, internal control, and risk management conducted 563 inspections, including 107 internal audits of subsidiaries, subsidiary subsidiaries, and dependent companies (internal audits covered 104 entities of the ROSSETI Group).



### Follow-up Control of Corrective Measures

2,286 corrective measures were prescribed for the ROSSETI Group's entities in 2014 as a result of internal inspections, including internal audits

Out of the 1,897 corrective measures to be implemented in the reporting year, 1,701 were completed.



In early 2014, the Board of Directors of ROSSETI approved the Strategy for Developing and Improving the Internal Control System of ROSSETI and Subsidiaries and Dependent Companies of ROSSETI. In furtherance of the Strategy, the Company has developed and carries out a package of measures (road map) to improve ROSSETI's and its SDCs' internal control and risk management system, whose maturity level will be reached by 2018.

### Key Measures to Improve Internal Control and Risk Management in 2015

- organize the implementation of the project to improve SDCs' internal control system in business accounting, tax accounting, and the preparation of accounting (financial) statements and in processes (areas of activities) that have a material effect on ROSSETI SDCs' records and accounts
- develop and improve the regulatory framework for risk management in the ROSSETI Group

- integrate risk information into the ROSSETI Group's business planning system
- make the internal audit function a separate functional area
- develop and improve the regulatory framework for internal audit
- implement an automated system of internal audit
- establish ROSSETI's permanent collegial working body of (Internal Control Commission (ICC)) within the internal control system with the aim of improving the effectiveness of managerial decisions and measures to correct discovered deficiencies and nonconformities and ensuring the objectivity of assessing the results of control measures and related administrative response measures
- create ROSSETI's warning system to deal with potential misconduct on the part of ROSSETI's and ROSSETI SDCs' employees (hotline)
- create on the Company's intranet a common information space, including a knowledge base containing internal regulatory documents and other key information
- develop methods for assessing the achievement of the goals and the corresponding KPI
- formulate/update standard documents relating to personnel recruitment, evaluation, rotation, promotion, motivation and pay and organize their introduction into SDCs
- etc.

## Internal Audit Function Implemented by the Company

For the purpose of implementing the internal audit function, the Company set up a special division of the Company, namely the Directorate for Internal Audit, after the reporting date (on January 19, 2015). This division is functionally subordinate to the Board of Directors of ROSSETI and administratively subordinate to the sole executive body of the Company.

The principal internal documents that govern the Company's internal audit are the Internal Audit Policy (approved by the Board of Directors of ROSSETI; Minutes of the Meeting No. 151 of April 28, 2014) and the Regulations for the Directorate for Internal Audit.

The Policy is based on best practices and experience of leading international and Russian companies and is formulated in accordance with the approaches applied by The Institute of Internal Auditors (IIA), an international professional association. The IIA is the internal audit profession's global voice, recognized authority, acknowledged leader, chief advocate, and principal educator.

The Internal Audit Policy defines the goals, objectives, principles, and key functions of internal audit. The principal goal of internal audit is to assist the Board of Directors and executive bodies in increasing the Company's management efficiency, improving the Company's financial and economic activities by taking a systematic and consistent approach to the analysis and evaluation of the risk management, internal control, and corporate governance systems as instruments for reasonable assurance regarding the achievement of the Company's goals.

The principal objectives of the internal audit division are as follows:

- conduct internal audits;
- evaluate the effectiveness of the internal control, risk management, and corporate governance systems of the Company and SDCs;
- cooperate with the Internal Audit Commission;
- organize cooperation with the Company's external auditor;
- cooperate with the Audit Committee of the Company's Board of Directors and the Company's Board of Directors.

In accordance with the Internal Audit Policy, the chief internal audit executive ensures that internal audit is of adequate quality and that the internal audit function is implemented and monitors the overall effectiveness of measures to ensure the quality of internal audit. This process includes the self-monitoring and external evaluation of the quality of internal audit. External evaluation should be made at least every 5 years.

## Risk Management

The ROSSETI Group operates a risk management system aimed at ensuring the sustained and continued functioning and developing of the Company by means of the timely identification and assessment and effective management of risks threatening the efficiency of the Company's economic operations, its reputation, the health of its employees, the environment, and the property interests of its shareholders and investors.

**Key internal regulatory documents that govern the risk management system of ROSSETI:**

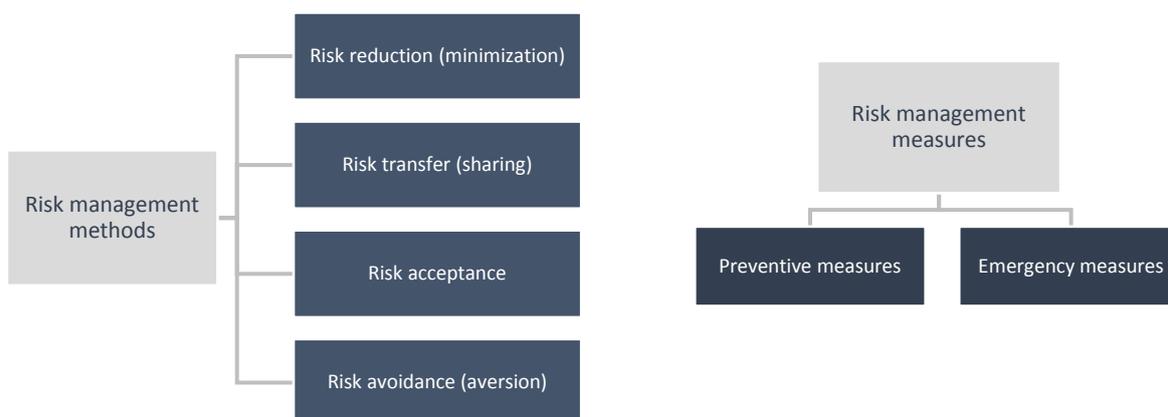
- Risk Management Policy of ROSSETI
- Recommended Guidelines for Risk Management

□ Detailed information about the Risk Management Policy can be found on the corporate website at [http://www.rosseti.ru/media/zakupki/policy\\_risk\\_21.05.2014.pdf](http://www.rosseti.ru/media/zakupki/policy_risk_21.05.2014.pdf)

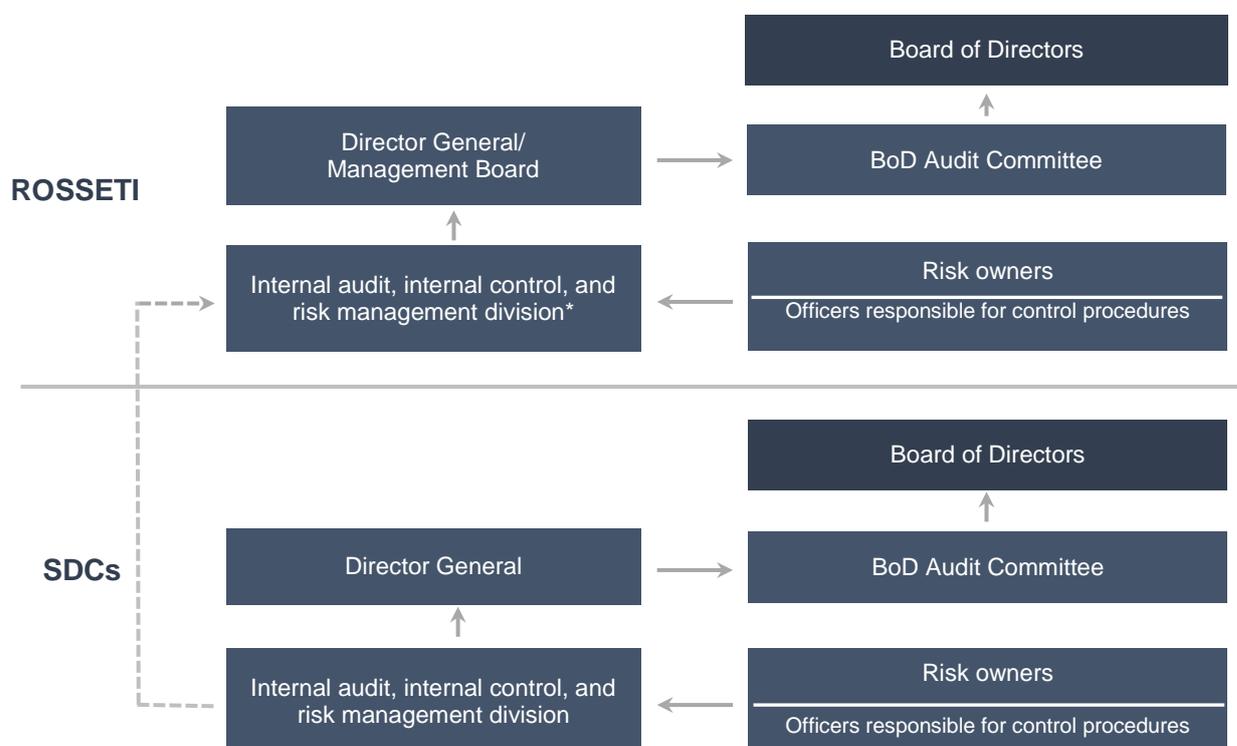
The Risk Management Policy approved by the Board of Directors of the Company (Minutes of the Meeting No. 151 of April 28, 2014) defines the following operating principles of the risk management system:

- systematic approach;
- senior management's support for developing the corporate culture of risk management;
- integration into strategic and operational administration;
- separated decision-making levels;
- responsibility for risk management;
- common information channel;
- cost-effectiveness.

## Main Methods of the Company's and SDCs' Risk Management



## Organizational Structure and Information Flows of the Company's and SDCs' Risk Management System



\* In 2014, these functions were performed by the Internal Audit and Control Department. In 2015, the Internal Audit and Control Department was reorganized; the function of coordination and methodological support for risk management was transferred to the Controlling Department, while the evaluation of risk management system effectiveness was transferred to the Directorate for Internal Audit.

## Key Risks of the Company and SDCs

The ROSSETI Group's performance is affected by a number of risks which are under the limited control of the Company. Although these are mostly macroeconomic factors impacting the Russian economy in its

entirety, certain areas of the Company's activities can be especially sensitive to certain risk factors. The most important risks are as follows:

- industry-specific risks;
- country and regional risks;
- financial risks;
- legal risks;
- risks associated with the Company's activities.

The list provided above is incomplete since there are other risks which are currently negligible, but later can have an adverse impact on the Company's activities, thus affecting its profit, assets, capital, liquidity, and solvency.

Based on the risks disclosed in the annual reports of ROSSETI SDCs for 2014, the ROSSETI Group's risk information has been summarized.

Each risk is assigned a significance level (moderate, significant, critical) and changes.

Significance Level		Changes	
Critical		No changes or minor changes in significance	-
Significant		Increased significance	↑
MODERATE		Decreased significance	↓

### Main Risks of the ROSSETI Group, Risk Assessment, and Risk Mitigation Measures

Risks	Description	Assessment	Risk Mitigation Measures
<b>Industry-Specific Risks</b>			
<b>Tariff regulation risks</b>	These risks are associated with restrictions imposed by tariff regulators on the tariff growth rate of electricity distribution services and with a possibility that that grid companies' expenses are only partially recognized for the formation of minimum regulated revenue.	 ↑	A balanced policy is pursued on improving the efficiency of investing and operating activities, aimed at reducing costs and optimally planning the structure of financing.
<b>Risk of lost income resulting from interrupted electricity consumption</b>	This risk is associated with the termination of last mile agreements in most Russian regions, effective from January 1, 2014, and with a possibility that that the amount of cross-subsidies is frozen at the 2013 level.		ROSSETI works to develop the mechanisms agreed upon with federal executive authorities for receiving compensation for lost income resulting from abolished cross-subsidies, including by obtaining subsidies from the federal budget.
<b>Network connection risks</b>	These risks are associated with a decrease in the volume of connected capacity in network connection requests, with a possibility that that financing sources may be insufficient for work under network connection contracts, with failure to provide network connections within the required period, and with the	 ↓	Work is done on monitoring changes in the maximum capacity requested in network connection requests, on causing ROSSETI SDCs to assume the correct scope of obligations under network connection contracts, on developing project documents specifying the scope of obligations under network connection contracts, on

	nonfulfillment by requesting entities of their network connection obligations.		submitting to regulatory authorities additional justifying documents in support of the economic feasibility of connection fee rates, on using information technology and template solutions to improve the Business Process “Performance of Electricity Network Connection Services,” and on explaining to customers the process of providing network connection services.
<b>Risk associated with the decreased volume of electricity distribution</b>	This risk is associated with the overall decline in large customers’ electricity and capacity demand due to decreased industrial production, the optimization of customers’ external electricity supply, the increasingly wide use of customers’ in-house generation facilities, and impaired financial solvency.		Measures are taken to enhance the reliability of the predicted volume of electricity distribution services for pricing and business planning purposes; the Company participates in developing legislative measures to reduce the number of grid organizations, thus optimizing customers’ costs related to electricity distribution; the Company prepares proposals to improve legislation as related to changing the procedure for determining the volume of provided electricity distribution services.
<b>Risk of increased expenses incurred in relation to the purchase of electricity to compensate for electricity network losses</b>	This risk is associated with changes in electricity network losses and price fluctuations in the wholesale electricity market.		The Energy Conservation and Energy Efficiency Enhancement Program is implemented as related to reducing electricity network losses.
<b>Risks associated with increases in overdue and uncollectable receivables for provided electricity distribution services</b>	These risks are associated with disagreements between electric grid companies and retail companies over the volume of consumed electricity and capacity, which leads to contested and overdue receivables related to electricity distribution services.		ROSSETI carries out the Program for Improving the Efficiency of Measures to Reduce Receivables for Electricity Distribution Services, including preparing proposals to improve current laws in order to enhance payment discipline and participating in regional commissions to monitor payments for electricity.

<b>Risks associated with taking on and subsequently transferring the supplier of last resort status</b>	<p>The Company's SDCs continue to incur the risk that certain retail companies may be deprived of the supplier of last resort (SOLR) status and that the SOLR powers and duties may be transferred to Company's SDCs. The performance of the SOLR functions and their subsequent transfer to winning bidders according to the results of the bidding procedures conducted by the Ministry of Energy of the Russian Federation are exposed to certain financial and organizational risks.</p>		<p>Measures are taken to cooperate with federal and regional governmental authorities, the mass media, infrastructural organizations of the wholesale electricity market, law enforcement agencies, and organizations deprived of the supplier of last resort status in the performance of the SOLR functions and the settlement of debts. Initiatives are promoted to streamline the procedure for changing the SOLR, enhance ROSSETI SDCs' competencies in collecting bad debts and participating effectively in bankruptcy procedures against debtors, etc.</p>
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**Risks Associated with the Company's Activities**

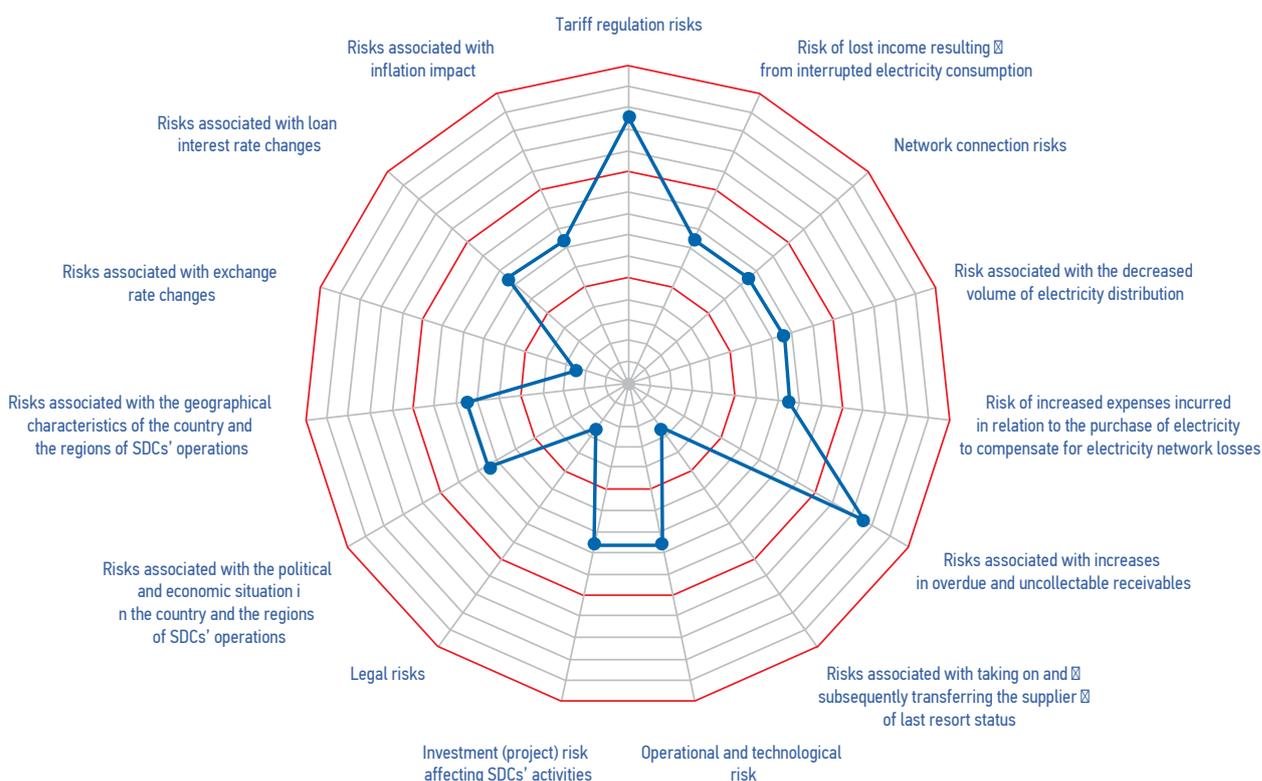
<b>Operational and technological risk of SDCs' activities</b>	<p>External and internal factors may cause system-wide failures of the operability and performance of electric grid equipment and power outages suffered by customers of SDCs.</p>		<p>Measures are taken to make the power supply more reliable and prevent process failure risks, including:</p> <ul style="list-style-type: none"> <li>- rehabilitating electric grid facilities;</li> <li>- modernizing electric grid assets;</li> <li>- clearing and expanding the pathways of overhead lines rated 0.4 kV and above;</li> <li>- expanding the stock of reserve power supply equipment and the stock of vehicles and special equipment for accident recovery work;</li> <li>- improving data exchange systems, analyzing process failures, and forecasting the consequences of process failures, including the implementation of the Automated Management System for Distributed Resources for Accident Recovery Work;</li> <li>- improving the emergency reserve management system;</li> <li>- increasing the number of mobile accident recovery crews and improving the quality of their personnel;</li> <li>- carrying out the program to reduce injury risks of electric grid facilities;</li> <li>- ensuring the training, control, and certification of personnel operating process equipment;</li> <li>- carrying out the insurance program;</li> <li>- implementing the energy conservation and energy efficiency enhancement program;</li> <li>- working to set a series of the Organization Standards establishing uniform requirements for the principal aspects of activities conducted by ROSSETI SDCs in the area of operational process control and situation management, etc.</li> </ul>
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<b>Investment (project) risk affecting SDCs' activities</b>	This risk is associated with the decreasing efficiency and value of investments over the course of implementing SDCs' capital investment programs.		<p>Capital investment programs are planned and monitored taking account of the following key efficiency criteria:</p> <ul style="list-style-type: none"> <li>- raising the reliability and affordability of the grid infrastructure,</li> <li>- reducing the physical deterioration of electric grid facilities and modernizing them,</li> <li>- achieving a high utilization rate of commissioned facilities,</li> <li>- optimizing technical solutions based on the necessity of excluding the use of imported equipment and materials whose value is highly dependent on foreign exchange rates.</li> </ul> <p>Measures are taken to improve the quality of implementing capital investment projects, including updating the list of priority projects, stiffening supervision over construction contractors, and preparing and analyzing progress reports.</p>
<b>Legal risks</b>	These risks are associated with changes to legislation and judicial practice relating to the Company's activities and with changes to the balance between the interests of the Company and other electricity sector entities.		<p>The Company is involved in governmental authorities' regulatory and legislative activities and monitors changes to legislation and judicial practice.</p> <p>There were no significant changes in the above-mentioned areas in 2014. The Company was not a party to any legal proceedings that could have a material effect on its activities.</p>
<b>Country and Regional Risks</b>			
<b>Risks associated with the political and economic situation in the country and the regions of SDCs' operations</b>	These risks are determined by macroeconomic factors existing globally, nationwide, and at regional level.		Measures are taken to optimize the share of borrowings in their total capital, take out fixed interest rate loans, and enhance the efficiency of the Company's and SDCs' operating and investment expenses.
<b>Risks associated with the geographical characteristics of the country and the regions of SDCs' operations</b>	There is a high probability of natural calamities, and there may be interruptions in transportation due to remoteness and/or inaccessibility and the like.		Measures are taken to prevent and promptly remedy emergency situations.
<b>Financial Risks</b>			
<b>Risks associated with exchange rate changes</b>	These risks are involved in a possible rise in SDCs' costs in the event of growth of the Russian ruble foreign exchange rates, including in the case of purchased foreign-made equipment.		Measures are taken to make the Company less financially vulnerable to external threats. The import substitution program is carried out.

<b>Risks associated with loan interest rate changes</b>	SDCs may incur higher debt service expenses.	● ↑	Measures are taken to optimize the loan portfolio, including by optimizing operating expenses and capital investment programs and by using SDCs' own funds for partial debt repayment.
<b>Risks associated with inflation impact</b>	These risks are involved in growing prices of materials, raw materials, and services in a situation where the opportunities of SDCs to raise the prices of electricity distribution and transmission services are restricted by government regulation.	● ↑	Measures are taken to make the Company less financially vulnerable to external threats.

The risks described above, except for legal risks and risks associated with the geographical characteristics of the country and the regions of SDCs' operations, occurred in 2014.

### ROSSETI Risk Assessment Profile



### Report on the Evaluation of RM&IC System Effectiveness

In accordance with the approaches to implementing internal control as set forth in the *Enterprise Risk Management – Integrated Framework* (2004) and the *Internal Control – Integrated Framework* (2013) released and updated by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and as required by the *International Standards for the Professional Practice of Internal Auditing* released by The Institute of Internal Auditors (IIA), the best practice in the development and improvement of management systems is the continuous evaluation of their effectiveness, including the evaluation of the risk management and internal control system (“RM&IC System”).

The principal participant in this evaluation is the internal audit division, which helps the organization maintain an effective risk management and internal control system, making the internal evaluation of its

efficiency and effectiveness on an ongoing basis and facilitation the continuous improvement of the system.

External evaluation should be made at least every five years by a qualified and independent appraiser or group of appraisers that is not the organization’s employee.

The external evaluation of ROSSETI’s risk management and internal control system was made in 2011 by an independent consultant, RSM Top-Audit. The consultant found the RM&IC System to be at a development stage in 2011:

- 6 components of 8 (internal environment, event identification, risk assessment, controls, information, and monitoring) were in the range of Maturity Level 1 to Maturity Level 2 (on a scale of one to three: Standardized, Optimized, and Automated);
- 2 components of 8 (goal setting and risk response) were below Maturity Level 1 (Standardized).

With the aim of building up and improving the RM&IC System, the Board of Directors of ROSSETI approved the Strategy for Developing and Improving the Internal Control System of ROSSETI and Subsidiaries and Dependent Companies of ROSSETI (“Strategy”) (Minutes of the Meeting No. 143 of February 10, 2014) on the initiative of the Company’s management.

In accordance with the Strategy, the RM&IC System can have six maturity levels: from “Zero” to “High”:

Maturity Level	Characteristics Corresponding to a Certain Maturity Level
Zero (Level 1)	<ol style="list-style-type: none"> <li>1. There is no awareness of problems associated with the management of activities.</li> <li>2. There is no description (regulation) of processes.</li> </ol>
Basic (Level 2)	<ol style="list-style-type: none"> <li>1. There is documented evidence that the Company is aware of problems associated with the management of activities. There is no overall approach to the management of activities.</li> <li>2. Processes related to the management of activities are not regulated and are used sporadically and unsystematically.</li> </ol>
Satisfactory (Level 3)	<ol style="list-style-type: none"> <li>1. There is documented evidence that the Company is aware of problems associated with the management of activities. There is an overall approach to the management of activities.</li> <li>2. Processes are partly regulated. Responsibility lies mainly with process owners, which entails a high probability of potential errors.</li> </ol>
Moderate (Level 4)	<ol style="list-style-type: none"> <li>1. Problems (risks) associated with the management of activities are identified. However, the Risk Management System is not integrated into the decision-making process in full.</li> <li>2. Processes are regulated and communicated to personnel. However, the procedure for applying these processes is left to the discretion of personnel. This brings about potentially unidentified deviations from standard procedures. Applied procedures are not optimal and not modern enough but reflect practices used by the Company.</li> </ol>
Optimal (Level 5)	<ol style="list-style-type: none"> <li>1. Problems (risks) associated with the management of activities are identified. The Risk Management System is integrated into the planning and decision-making processes. However, the Risk Management System is not automated and neither are all possible controls.</li> <li>2. Processes are regulated, are unified in the Company, the executive arm, and branches of SDCs, and are communicated to personnel by being posted in the public domain. The Company monitors the implementation of its processes and evaluates their effectiveness. If any implemented processes are found to have low effectiveness, they are optimized. Processes are improved on a continuous basis and are built on a good practice. The management of activities is automated in part and to a limited extent.</li> </ol>

Maturity Level	Characteristics Corresponding to a Certain Maturity Level
High (Level 6)	<ol style="list-style-type: none"> <li>1. Problems (risks) associated with the management of activities are identified. The Risk Management System is integrated into the planning and decision-making processes. The Risk Management System and control procedures are, where possible, automated.</li> <li>2. Processes have reached the level of a best practice based on continuous improvement and maturity benchmarking against other organizations, are regulated, are unified in the Company, the executive arm, and branches of SDCs, and are communicated to personnel by being posted in the public domain. The Company monitors the implementation of its processes and evaluates their effectiveness. The Company is able to quickly adapt processes for changes in the environment and business.</li> </ol>

In 2014, ROSSETI formulated and the Company's Board of Directors approved the internal documents setting out the requirements and approaches applied to evaluating the internal control, risk management, and internal audit systems, namely the Internal Control Policy, the Risk Management Policy, and the Internal Audit Policy (approved by the decision adopted by the Board of Directors of ROSSETI on April 28, 2014; Minutes of the Meeting No. 151).

In accordance with the Risk Management, Internal Control, and Internal Audit Policies, the Company is subject to annual internal evaluation and periodic external independent evaluation:

- in the case of the risk management and internal control systems, at least every 3 years,
- in the case of the internal audit function, every 5 years.

In early 2014, the Internal Audit and Control Department made an internal evaluation of the RM&IC System's performance in 2013. The evaluation results were preliminarily reviewed by the Audit Committee of the Company's Board of Directors.

Main conclusions from the evaluation:

- based on the levels specified in the Strategy, the RM&IC System maturity level of the entire ROSSETI Group was found to be between "Satisfactory" (3) and "Moderate" (4).

In the 2nd quarter of 2015, the Company's internal auditor, the Directorate for Internal Audit, evaluated the RM&IC System of ROSSETI and its SDCs for 2014. The evaluation results will be preliminarily reviewed by the Audit Committee of the Company's Board of Directors, submitted for review by the Company's Board of Directors, and disclosed in accordance with the prescribed procedure.

The ROSSETI Group's auditor, Ernst & Young LLC, under the agreements for the mandatory external audit of ROSSETI's and SDCs' statements in accordance with Russian Accounting Standards for 2014, was separately engaged to conduct an external evaluation of the internal control system. As stated in the auditor's report:

- methodological and organizational support for ROSSETI's and SDCs' internal control and risk management is sufficient and, in general, meets the requirements for such documents in accordance with legal regulations and current business practices,
- the ROSSETI Group employs an adequate mechanism to identify business and financial risks,
- the existing elements of internal control are used to build an effective system of internal control over the accounting process and the preparation of accounting (financial) statements.

The Company will engage independent consultants on a competitive basis to conduct the next external evaluation of the status and effectiveness of the risk management, internal control, and internal audit systems in 2016.



# 4

## Financial Performance in Accordance with IFRS

1 > Independent Auditor's Report

2 > Reporting Forms

## Independent auditor's report

### To the Shareholders and Board of Directors of JSC Russian Grids

**We have audited the accompanying consolidated financial statements of Joint Stock Company Russian Grids and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.**

### Audited entity's responsibility for the consolidated financial statements

**Management of the Group is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.**

### Auditor's responsibility

**Our responsibility is to express an opinion on the fairness of these consolidated financial statements based on our audit.**

**We conducted our audit in accordance with the federal standards on auditing effective in the Russian Federation and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.**

**An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.**



**EY**

Совершенство бизнеса,  
улучшаем мир

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Joint Stock Company Russian Grids and its subsidiaries as at 31 December 2014, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Other matter**

The consolidated financial statements of the Group for the year ended 31 December 2013 were audited by another auditor who issued an audit report with an unqualified opinion dated 22 April 2014.

D.E. Lobachev  
General director  
Ernst & Young LLC

22 April 2015

**Details of the audited entity**

Name: Joint Stock Company Russian Grids and its subsidiaries  
Record made in the State Register of Legal Entities on 1 July 2008, State Registration Number 1087760000019.  
Amendments due to renaming are recorded in the State Register of Legal Entities on 4 April 2013, State Registration Number 7137746729542.  
Address: Russia, 121353, Moscow, Belovezhskaya street, 4.

**Details of the auditor**

Name: Ernst & Young LLC  
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.  
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.  
Ernst & Young LLC is a member of self-regulatory organization of auditors Non Profit partnership "Russian Audit Chamber" ("SRO NP APR"). Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 10201017420.

	Notes	Year ended 31 December 2014	Year ended 31 December 2013 (restated)
Revenue	8	759,608	755,806
Operating expenses	10	(759,805)	(912,566)
Other income, net	9	14,309	7,939
<b>Results from operating activities</b>		<b>14,112</b>	<b>(148,821)</b>
Finance income	12	10,712	9,049
Finance costs	12	(42,863)	(50,618)
<b>Net finance costs</b>		<b>(32,151)</b>	<b>(41,569)</b>
Share of loss of equity accounted investees (net of income tax)		(10)	(11)
<b>Loss before income tax</b>		<b>(18,049)</b>	<b>(190,401)</b>
Income tax expense/(benefit)	13	(6,208)	31,012
<b>Loss for the year</b>		<b>(24,257)</b>	<b>(159,389)</b>
<b>Other comprehensive income</b>			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Net change in fair value of available-for-sale financial assets	16	125	(123)
Foreign currency translation differences		650	26
Related income tax	17	(22)	25
<b>Total items that are or may be reclassified subsequently to profit or loss</b>		<b>753</b>	<b>(72)</b>
<i>Items that will never be reclassified to profit or loss</i>			
Remeasurements of the defined benefit liability	24	3,023	(3,879)
Related income tax	17	(499)	752
<b>Total items that will not be reclassified to profit or loss</b>		<b>2,524</b>	<b>(3,127)</b>
<b>Other comprehensive loss for the year, net of income tax</b>		<b>3,277</b>	<b>(3,199)</b>
<b>Total comprehensive loss for the year</b>		<b>(20,980)</b>	<b>(162,588)</b>
<b>Loss attributable to:</b>			
Owners of the Company		(15,355)	(132,113)
Non-controlling interest		(8,902)	(27,276)
<b>Total comprehensive loss attributable to:</b>			
Owners of the Company		(13,071)	(134,332)
Non-controlling interest		(7,909)	(28,256)
<b>Loss per share</b>			
Basic and diluted loss per ordinary share (in RUB)	22	(0.096)	(0.832)

These consolidated financial statements were approved by management on 22 April 2015 and were signed on its behalf by:

General Director

Director for accounting  
and reporting – Chief Accountant

O.M. Budargin

V.V. Shchukin

	<u>Notes</u>	<u>31 December 2014</u>	<u>31 December 2013</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	1,643,586	1,595,862
Intangible assets	15	14,300	16,557
Investments in associates and joint ventures		1,627	1,202
Non-current accounts receivable	19	6,971	7,442
Other investments and financial assets	16	22,952	27,309
Deferred tax assets	17	7,117	9,012
<b>Total non-current assets</b>		<b>1,696,553</b>	<b>1,657,384</b>
<b>Current assets</b>			
Inventories	18	26,630	23,920
Other investments and financial assets	16	17,908	53,306
Current income tax prepayments		4,636	5,568
Trade and other receivables	19	155,776	143,944
Cash and cash equivalents	20	82,576	61,917
<b>Total current assets</b>		<b>287,526</b>	<b>288,655</b>
<b>Total assets</b>		<b>1,984,079</b>	<b>1,946,039</b>

	Notes	31 December 2014	31 December 2013
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	21		
Share capital		163,154	163,154
Share premium		212,978	212,978
Treasury shares		(2,725)	(2,819)
Other reserves		(3,981)	(6,265)
Retained earnings		383,554	398,711
<b>Total equity attributable to equity holders of the Company</b>		<b>752,980</b>	<b>765,759</b>
Non-controlling interest		285,824	295,932
<b>Total equity</b>		<b>1,038,804</b>	<b>1,061,691</b>
<b>Non-current liabilities</b>			
Loans and borrowings	23	485,409	492,229
Trade and other payables	25	17,851	14,487
Employee benefits	24	25,512	28,971
Deferred tax liabilities	17	34,389	38,715
<b>Total non-current liabilities</b>		<b>563,161</b>	<b>574,402</b>
<b>Current liabilities</b>			
Loans and borrowings	23	93,227	57,808
Trade and other payables	25	268,469	241,266
Provisions	26	18,871	10,397
Current tax liabilities		1,547	475
<b>Total current liabilities</b>		<b>382,114</b>	<b>309,946</b>
<b>Total liabilities</b>		<b>945,275</b>	<b>884,348</b>
<b>Total equity and liabilities</b>		<b>1,984,079</b>	<b>1,946,039</b>

	Notes	Year ended 31 December 2014	Year ended 31 December 2013
<b>OPERATING ACTIVITIES</b>			
Loss for the year		(24,257)	(159,389)
<i>Adjustments for:</i>			
Depreciation and amortization	10, 14, 15	125,910	115,942
Impairment of property, plant and equipment	14	81,690	239,446
Finance costs	12	42,863	50,618
Finance income	12	(10,712)	(9,049)
Loss on disposal of property, plant and equipment		148	3,245
Share of loss of an associate and a joint venture		10	11
Impairment of accounts receivable and inventory		18,711	19,847
Bad debt write-off		200	430
Non-cash receipt of property, plant and equipment		(4,427)	(2,281)
Non-cash settlement of technological connection agreements		(926)	(613)
Other non-cash transactions		175	1,029
Income tax expense/(benefit)		6,208	(31,012)
<b>Operating profit before changes in working capital</b>		<b>235,593</b>	<b>228,224</b>
Change in trade and other receivables (before impairment)		(30,019)	(40,577)
Change in inventories (before impairment)		(2,151)	(2,996)
Change in trade and other payables		5,134	15,823
Change in employee benefit liabilities		(2,470)	(869)
Change in provisions	26	8,381	(4,169)
Other		480	5
<b>Cash flows from operating activities before income tax and interest paid</b>		<b>214,948</b>	<b>195,441</b>
Income tax paid		(7,322)	(9,050)
Interest paid		(46,950)	(37,448)
<b>Net cash flows from operating activities</b>		<b>160,676</b>	<b>148,943</b>

	Notes	Year ended 31 December 2014	Year ended 31 December 2013
<b>INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment and intangible assets		(204,193)	(266,415)
Proceeds from the sale of property, plant and equipment		4,702	1,507
Acquisition of investments and placement of bank deposits		(120,533)	(97,447)
Proceeds from disposal of investments and withdrawal of bank deposits		144,904	101,904
Dividends received		31	47
Interest received		8,799	7,290
<b>Net cash flows used in investing activities</b>		<b>(166,290)</b>	<b>(253,114)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from loans and borrowings		118,482	293,076
Repayment of loans and borrowings		(89,592)	(185,484)
Proceeds from shares issued		-	4,295
Acquisition of non-controlling interest in subsidiaries	21	-	(764)
Dividends paid		(2,020)	(3,469)
Repayment of finance lease liabilities		(597)	(1,381)
<b>Net cash flows from financing activities</b>		<b>26,273</b>	<b>106,273</b>
<b>Net increase in cash and cash equivalents</b>		<b>20,659</b>	<b>2,102</b>
<b>Cash and cash equivalents at the beginning of year</b>		<b>61,917</b>	<b>59,815</b>
<b>Cash and cash equivalents at the end of year</b>	20	<b>82,576</b>	<b>61,917</b>



# 5

## Our Company For Investors

- 1 > Interaction Policy with Investors and Shareholders
- 2 > Securities and Share Capital Structure
- 3 > Dividend Policy



## Interaction Policy with Investors and Shareholders

In its shareholder/investor relations, ROSSETI pursues an important goal of making the Company more attractive to investors, including by enhancing transparency, adhering to a stable dividend policy, and increasing the liquidity of its securities.

The Company maintains regular dialog with the investor community

On continuing basis, the Company's IR department holds events based on the publication of the Company's results, organizes road shows for investors, and participates in investor conferences of Russian and foreign investment banks.

Information about the IR events held in the reporting year and scheduled for 2015 can be found on the corporate website at <http://www.rosseti.ru/investors/calendar>

The Company's IR department held a number of meetings with the investor community in 2014.

Event	Organizing Bank
Q1 2014	
Annual Depository Receipt Issuers' Conference	BNY Mellon (Oman)
Investor conference	Raiffeisen Bank (Zürs)
Q2 2014	
Investor conference	Gazprombank (Hong Kong)
Q3 2014	
Russia: The Inside Track annual investment conference	Sberbank CIB (London)
Q4 2014	
6th Annual Investment Forum	VTB Capital (Moscow)
Power Industry Day	BCS Financial Group (Moscow)

To maintain constant dialog with investors, analysts, and stock exchanges and comply with disclosure rules and practices, the Company uses a whole range of tools: one-on-one meetings with investors at Russian and international investment forums, conference calls discussing disclosed financial performance, disclosures on the London Stock Exchange, annual and social reports submitted to shareholders.

In 2014, ROSSETI's efforts in this area did not go unnoticed, and experts recognized the level of the Company's disclosures as one of the best. ROSSETI won a prize of the 17th annual nationwide contest of annual reports and corporate websites organized by the Moscow Exchange and RCB Media Group for the best disclosure. This category is one of the most prestigious because companies are analyzed with respect to the level of disclosure not only in corporate reports but also in other information instruments intended for shareholders and investors.

ROSSETI's 2013 annual report was also recognized as a leader in sustainability disclosure according to Expert RA Rating Agency's annual review of best practices in disclosure in annual reports

This achievement proves that the Company's executives are committed to sustainability values and high standards of corporate culture.

The Company's IR department holds annual seminars for shareholder/investor relations departments of Russian electric grid companies. The seminars are intended to upgrade qualifications and professional skills of shareholder relations personnel of ROSSETI's subsidiaries.

The main disclosure channel is the regularly updated corporate website at <http://www.rosseti.ru>, containing a large amount of up-to-date information on the Company and its results. Additionally, the Company's top management regularly appears in leading media outlets.

The Company is interested in expanding analyst coverage. Work is underway to develop additional IR tools to improve disclosure quality and make it more convenient for investment bank analysts to deal with operational and financial indicators. At present, analyst coverage is provided for the Company's shares by 13 investment banks and companies.

Further information about investment bank analysts can be found on the corporate website at <http://www.rosseti.ru/investors/securities/analytics/>

## Securities and Share Capital Structure

### Shares

The share capital of ROSSETI is one hundred sixty-three billion, one hundred fifty-four million, two thousand, six hundred ninety-four (163,154,002,694) rubles and consists of one hundred sixty-three billion, one hundred fifty-four million, two thousand, six hundred ninety-four (163,154,002,694) shares, each with a par value of 1 ruble, including one hundred sixty-one billion, seventy-eight million, eight hundred fifty-three thousand, three hundred ten (161,078,853,310) ordinary shares and two billion, seventy-five million, one hundred forty-nine, three hundred eighty-four (2,075,149,384) preference shares.

Further information can be found on the corporate website at <http://www.rosseti.ru/investors/capital/>

#### ORDINARY SHARES:

SHARE ISSUE REGISTERED UPON INCORPORATION:

STATE REGISTRATION NUMBER: 1-01-55385-E

REGISTRATION DATE OF THE ISSUE AND SECURITIES ISSUE REPORT: JULY 29, 2008; ORDER OF THE FEDERAL FINANCIAL MARKETS SERVICE OF THE RUSSIAN FEDERATION NO. 08-1731/PZ-I

QUANTITY OF ISSUED SHARES: 41,041,753,984

#### ADDITIONAL SHARE ISSUES:

STATE REGISTRATION NUMBER: 1-01-55385-E-001D

REGISTRATION DATE OF THE ISSUE: MAY 6, 2010; ORDER OF THE FEDERAL FINANCIAL MARKETS SERVICE OF THE RUSSIAN FEDERATION NO. 10-1221/PZ-I

REGISTRATION DATE OF THE SECURITIES ISSUE REPORT: FEBRUARY 3, 2011; ORDER OF THE FEDERAL FINANCIAL MARKETS SERVICE OF THE RUSSIAN FEDERATION NO. 11-194/PZ-I

PLACED SHARES: 1,922,313,097

INDIVIDUAL ISSUE CODE 001D WAS CANCELED ON MAY 19, 2011

STATE REGISTRATION NUMBER: 1-01-55385-E-002D

REGISTRATION DATE OF THE ISSUE: NOVEMBER 10, 2011; ORDER OF THE FEDERAL FINANCIAL MARKETS SERVICE OF THE RUSSIAN FEDERATION NO. 11-3021/PZ-I

REGISTRATION DATE OF THE SECURITIES ISSUE REPORT: MAY 24, 2012; ORDER OF THE FEDERAL FINANCIAL MARKETS SERVICE OF THE RUSSIAN FEDERATION NO. 12-1301/PZ-I

PLACED SHARES: 4,907,627,335

INDIVIDUAL ISSUE CODE 002D WAS CANCELED ON SEPTEMBER 13, 2012

STATE REGISTRATION NUMBER: 1-01-55385-E-003D

REGISTRATION DATE OF THE ISSUE: DECEMBER 3, 2012; ORDER OF THE FEDERAL FINANCIAL MARKETS SERVICE OF THE RUSSIAN FEDERATION NO. 12-2993/PZ-I  
 REGISTRATION DATE OF THE SECURITIES ISSUE REPORT: MARCH 19, 2013; ORDER OF THE FEDERAL FINANCIAL MARKETS SERVICE OF THE RUSSIAN FEDERATION NO. 13-614/PZ-I  
 PLACED SHARES: 9,375,608,049  
 INDIVIDUAL ISSUE CODE 003D WAS CANCELED ON JUNE 27, 2013

STATE REGISTRATION NUMBER: 1-01-55385-E  
 REGISTRATION DATE OF THE ISSUE: JUNE 4, 2013; ORDER OF THE FEDERAL FINANCIAL MARKETS SERVICE OF THE RUSSIAN FEDERATION NO. 13-1273/PZ-I  
 DATE OF SUBMITTING THE NOTICE OF THE ADDITIONAL SECURITIES ISSUE RESULTS TO THE BANK OF RUSSIA FINANCIAL MARKETS SERVICE: OCTOBER 1, 2013  
 PLACED SHARES: 103,831,550,845

#### PREFERENCE SHARES

STATE REGISTRATION NUMBER: 2-01-55385-E  
 REGISTRATION DATE OF THE ISSUE AND SECURITIES ISSUE REPORT: JULY 29, 2008; ORDER OF THE FEDERAL FINANCIAL MARKETS SERVICE OF THE RUSSIAN FEDERATION NO. 08-1731/PZ-I  
 QUANTITY OF ISSUED SHARES: 2,075,149,384

### Quantity of Federally Owned Shares in ROSSETI

As of December 31, 2014	Quantity of Shares		Percentage of Share Capital, %
	Ordinary Shares	Preference Shares	
Federal Agency for State Property Management	139,037,599,663	145,523,224	85.31

### Principal Shareholders with a Share of More than 2% as of December 31, 2014

Shareholders	Percentage of Share Capital, %
The Russian Federation represented by the Federal Agency for State Property Management	85.31
National Settlement Depository (nominee shareholder)	9.40
Depository and Corporate Technologies (nominee shareholder)	3.90
Other	1.39
TOTAL	100

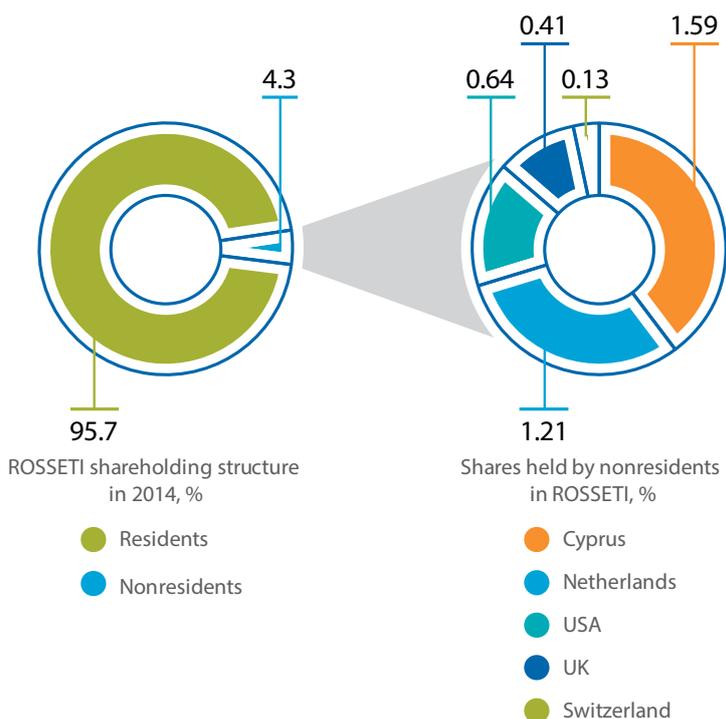
The Company has no information on any ROSSETI shareholders having a share of more than 5% other than specified above.

### Resident and Nonresident Shareholders of ROSSETI as of May 26, 2014

	Residents		Nonresidents	
	Quantity	Percentage of Share Capital, %	Quantity	Percentage of Share Capital, %
Federal property	-	85.31		
Corporate entities	1,467	6.87	344	4.26
Individuals	323,625	3.559	225	0.001
TOTAL	325,092	95.739	569	4.261

Residents of the Russian Federation hold 95.7% of shares, while the remaining 4.3% of shares are distributed among corporate entities and individuals from 45 countries.

## Distribution of More than 0.1% of ROSSETI's Share Capital by Country



The Company's shares are currently included in the following stock market indices:

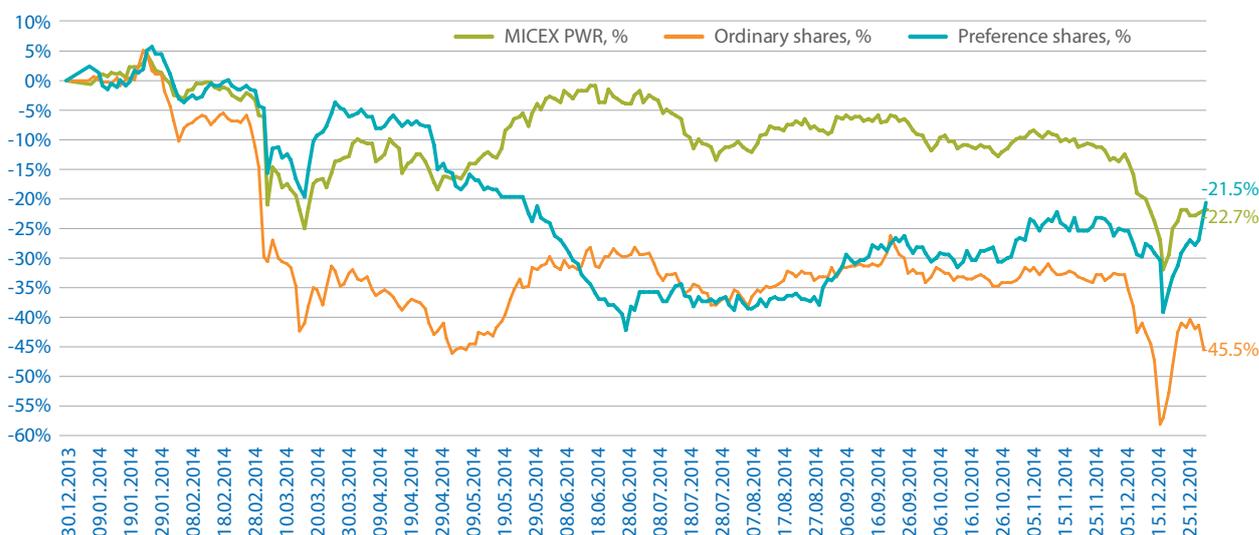
Index	Weight, %	Index Currency
MICEX	0.16	RUB
MICEX Power	OS 9.27	RUB
MICEX Power	PS 0.87	RUB
MICEX Start Cap	OS 3.8	RUB
MICEX Start Cap	PS 0.93	RUB
Second Tier	PS 0.93	RUB
RTS	0.16	USD

## Key Indicators of Trading in the Company's Shares for 2013 and 2014

Indicator	Unit	2013	2014	Change, %
<b>Trading volume</b>				
Ordinary shares	<b>billion RUB</b>	<b>100.95</b>	<b>52.08</b>	<b>(48.4)</b>
Preference shares	<b>billion RUB</b>	<b>0.61</b>	<b>0.93</b>	<b>52.5</b>
Ordinary shares	<b>billion shares</b>	<b>92.92</b>	<b>94.18</b>	<b>1.4</b>
Preference shares	<b>billion shares</b>	<b>0.66</b>	<b>1.74</b>	<b>163.6</b>
<b>Number of deals</b>				
Ordinary shares	<b>million shares</b>	<b>1.83</b>	<b>1.16</b>	<b>(36.6)</b>
Preference shares	<b>million shares</b>	<b>0.05</b>	<b>0.06</b>	<b>20.0</b>
<b>Maximum price</b>				
Ordinary shares	<b>RUB</b>	<b>2.08</b>	<b>0.78</b>	<b>(62.5)</b>
Preference shares	<b>RUB</b>	<b>1.30</b>	<b>0.77</b>	<b>(40.8)</b>
<b>Minimum price</b>				
Ordinary shares	<b>RUB</b>	<b>1.99</b>	<b>0.76</b>	<b>(61.8)</b>

Preference shares	<b>RUB</b>	<b>1.23</b>	<b>0.75</b>	<b>(39.0)</b>
Weighted average price at year end				
Ordinary shares	<b>RUB</b>	<b>0.77</b>	<b>0.42</b>	<b>(45.4)</b>
Preference shares	<b>RUB</b>	<b>0.74</b>	<b>0.59</b>	<b>(20.3)</b>
Capitalization at year end	<b>million RUB</b>	<b>126,696.577</b>	<b>69,408.523</b>	<b>(45.2)</b>

### Electric Utilities, ROSSETI Shares



Shares in electric utilities performed substantially worse than the market in 2014, with the MICEX Power Index (MICEX PWR) falling by 22%. The decline in the power industry's performance was due to low investor appeal for electric utilities in combination with the restrictive tariff policy, including zero tariff indexation in 2014.

In 2014, the Company's ordinary and preference shares lost 45.4% and 20.3% respectively. The Company's shares came under pressure from several factors in the reporting period:

- it was necessary to implement large-scale capex programs amid restrictions on tariff growth rates;
- the gap between officially applied RAB regulation and actual tariff indexation became wider;
- last mile agreements became fewer in number;
- borrowing costs surged after the Bank of Russia decided to raise its key interest rate to 17%.

Further information about the Company's shares can be found on the corporate website at [http://www.rosseti.ru/investors/securities/dynamics\\_stock/](http://www.rosseti.ru/investors/securities/dynamics_stock/)

### Depository Receipts

On January 6, 2014, ROSSETI's shares and depository receipts began trading under new ticker symbols reflecting the Company's changed name: MCX:RSTI and LSE:RSTI for ordinary shares on the MICEX Stock Exchange and depository receipts on the London Stock Exchange respectively. The ticker symbol for preference shares trading on the Moscow Exchange is MOEX:RSTIP.

In accordance with Ordinance of the MICEX Stock Exchange No. 630-r of May 26, 2014, global depository receipts for ordinary shares in ROSSETI (ISIN: US47973C2061) were included as non-listed securities on the List of Securities Admitted to Trading on the MICEX Stock Exchange (MCX:RSDR).

Transactions involving ROSSETI's GDRs on the Moscow Exchange became possible as interdealer share repos, which gave an added impetus to a growth in the liquidity of the GDRs because they became increasingly affordable for funding.

Changes to the London Stock Exchange's Trading System were made accordingly on August 14, 2014. The ticker symbol (RSTI) and ISIN codes of ROSSETI's depository receipts remained unchanged.

## Bonds

Due to unfavorable market conditions, ROSSETI did not place any bonds in the reporting year, while only one subsidiary of ROSSETI (MOESK) raised a total of 5 billion rubles in bonds. The table below contains detailed information about the subsidiary's bond issue completed in 2014.

Issue Number	Series	Value of Outstanding Bonds, million RUB	Placement Date	Interest Rate at Placement, %
<b>MOESK</b>				
4B02-04-65116-D	BO-04	5,000	September 25, 2014	11.00

Additionally, due to the provisions of Federal Law No. 210-FZ of July 23, 2013, "On Amendments to the Federal Law 'On the Securities Market,'" effective from July 1, 2014, ROSSETI and its SDCs made changes to documents relating to bond issues.

The table below contains detailed information about ROSSETI's and SDCs' bond issues prepared for placement.

Issue Number	Series	Value, million RUB	Registration Date	Term to Maturity
<b>ROSSETI</b>				
4B02-01-55385-E	BO-01	5,000	April 28, 2014	10 years
4B02-02-55385-E	BO-02	5,000	April 28, 2014	10 years
4B02-03-55385-E	BO-03	5,000	April 28, 2014	10 years
4B02-04-55385-E	BO-04	10,000	April 28, 2014	10 years
4B02-05-55385-E	BO-05	10,000	April 28, 2014	10 years
4B02-06-55385-E	BO-06	10,000	April 28, 2014	30 years
4B02-07-55385-E	BO-07	10,000	April 28, 2014	30 years
4B02-08-55385-E	BO-08	15,000	April 28, 2014	10 years
4B02-09-55385-E	BO-09	15,000	April 28, 2014	20 years
4B02-10-55385-E	BO-10	15,000	April 28, 2014	20 years
<b>LENENERGO</b>				
4B02-02-00073-A	BO-02	6,000	June 7, 2013	10 years
4B02-03-00073-A	BO-03	5,000	June 7, 2013	10 years
4B02-04-00073-A	BO-04	5,000	June 7, 2013	10 years
4B02-05-00073-A	BO-05	4,000	June 7, 2013	10 years
<b>MOESK</b>				
4B02-05-65116-D	BO-05	5,000	July 9, 2013	10 years
4B02-06-65116-D	BO-06	5,000	July 9, 2013	10 years
4B02-07-65116-D	BO-07	7,000	July 9, 2013	10 years
4B02-08-65116-D	BO-08	8,000	July 9, 2013	10 years
4B02-09-65116-D	BO-09	10,000	July 9, 2013	10 years
4B02-10-65116-D	BO-10	10,000	July 9, 2013	10 years
<b>IDGC of Volga</b>				
4B02-01-04247-E	BO-01	3,000	July 11, 2012	3 years
4B02-02-04247-E	BO-02	4,000	July 11, 2012	3 years
4B02-03-04247-E	BO-03	5,000	June 7, 2013	10 years
4B02-04-04247-E	BO-04	5,000	June 7, 2013	10 years
4B02-05-04247-E	BO-05	4,000	June 7, 2013	10 years
4B02-06-04247-E	BO-06	4,000	June 7, 2013	10 years
<b>IDGC of North-West</b>				
4B02-01-03347-D	BO-01	5,000	March 12, 2014	10 years
4B02-02-03347-D	BO-02	4,000	March 12, 2014	10 years
4B02-03-03347-D	BO-03	3,000	March 12, 2014	10 years

4B02-04-03347-D	BO-04	3,000	March 12, 2014	10 years
<b>IDGC of Urals</b>				
4B02-02-32501-D	BO-02	3,000	May 31, 2013	10 years
4B02-03-32501-D	BO-03	3,000	May 31, 2013	10 years
4B02-04-32501-D	BO-04	4,000	May 31, 2013	10 years
4B02-05-32501-D	BO-05	5,000	May 31, 2013	10 years
<b>IDGC of Center and Volga Region</b>				
4B02-02-12665-E	BO-02	5,000	May 23, 2013	10 years
4B02-03-12665-E	BO-03	5,000	May 23, 2013	10 years
4B02-04-12665-E	BO-04	5,000	May 23, 2013	10 years
<b>IDGC of Centre</b>				
4B02-02-10214-A	BO-02	5,000	June 25, 2013	10 years
4B02-03-10214-A	BO-03	5,000	June 25, 2013	10 years
4B02-04-10214-A	BO-04	5,000	June 25, 2013	10 years
4B02-05-10214-A	BO-05	5,000	June 25, 2013	10 years
4B02-06-10214-A	BO-06	5,000	June 25, 2013	10 years
<b>IDGC of South</b>				
4B02-01-34956-E	BO-01	6,000	September 4, 2014	5 years
4B02-02-34956-E	BO-02	6,000	September 4, 2014	5 years
<b>Tyumenenergo</b>				
4-03-00159	03	7,000	October 17, 2013	10 years
4-04-00159	04	5,000	October 17, 2013	10 years
4-05-00159	05	4,000	October 17, 2013	10 years
4-06-00159	06	4,000	October 17, 2013	10 years
<b>FGC UES</b>				
4-31-65018-D	31	10,000	November 14, 2013	35 years
4-32-65018-D	32	10,000	November 14, 2013	35 years
4-33-65018-D	33	10,000	November 14, 2013	35 years
4-35-65018-D	35	15,000	November 14, 2013	35 years
4-36-65018-D	36	15,000	November 14, 2013	35 years
4-37-65018-D	37	20,000	November 14, 2013	35 years
4-38-65018-D	38	20,000	November 14, 2013	35 years
4-39-65018-D	39	20,000	November 14, 2013	35 years
4B02-02-65018-D	BO-02	10,000	June 6, 2012	35 years
4B02-03-65018-D	BO-03	10,000	June 6, 2012	35 years
4B02-04-65018-D	BO-04	10,000	June 6, 2012	35 years
4B02-05-65018-D	BO-05	15,000	June 6, 2012	35 years
4B02-06-65018-D	BO-06	15,000	June 6, 2012	35 years
4B02-07-65018-D	BO-07	15,000	June 6, 2012	35 years
4B02-08-65018-D	BO-08	15,000	June 6, 2012	35 years

 Further information about the Company's bonds can be found on the corporate website at <http://www.rosseti.ru/investors/emission/stock/>

## Dividend Policy

In order to comply with the requirements set forth in the laws of the Russian Federation and achieve the strategic goals and targets specified in:

- the Strategy for Development of the Electric Grid Sector of the Russian Federation approved by Ordinance of the Government of the Russian Federation No. 511-r of April 3, 2013,
- the Economic Policy of ROSSETI approved by the Company's Board of Directors (Minutes of the Meeting No. 156 of May 29, 2014),
- Ordinance of the Government of the Russian Federation No. 774-r of May 29, 2006,
- the restated version of the Articles of Association of ROSSETI approved by the Annual General Meeting of Shareholders on June 30, 2014,

a restated version of the Regulations for Dividend Policy of ROSSETI was formulated and approved by the Board of Directors (Minutes of the Meeting No. 169 of November 18, 2014).

ROSSETI's Dividend Policy focuses on guaranteeing the rights of shareholders and investors, raising the electric grid sector's market capitalization, meeting shareholders' and investors' expectations, achieving return on investment acceptable to shareholders, increasing the dividend flow, ensuring timely and full

disclosures about the Company's activities, making the Company more attractive to investors, and increasing private investment.

The following basic principles underlie the Dividend Policy:

- the interests of the Company's shareholders should be balanced with the Company's need for resources for developing and performing the Company's industry-wide functions in accordance with the Strategy for Development of the Electric Grid Sector;
- the mechanism for determining the size of dividends and dividend payment should be transparent (comprehensible);
- the Company's practices of dividend accrual and dividend payment should comply with the laws of the Russian Federation and corporate governance standards;
- an upward trend should be ensured in relation to dividend payouts, provided that the Company's net profit grows;
- information should be available to shareholders and other stakeholders about the Company's Dividend Policy.

The provisions of the Dividend Policy ensure that the instructions are carried out with respect to the implementation of the Russian President's Address to the Federal Assembly of the Russian Federation of December 4, 2014, in relation to dividend payouts to the shareholders of ROSSETI and its SDCs in the amount of 25% of net profits.

The size of dividends payable on the Company's shares is determined by the General Meeting of Shareholders on the recommendation of the Board of Directors and may not be in excess of the size recommended by the Board of Directors.

The size of dividends payable on one ordinary share is calculated by dividing the total amount of dividends payable on the Company's ordinary shares by the number of the Company's ordinary shares on which dividends may be distributed in accordance with law.

The size of dividends payable on one preference share is 10% of the Company's net profit based on the results of the financial year and divided by the number of shares constituting 25% of the Company's authorized capital. If any amount of dividends payable by the Company on each ordinary share in a specific year is in excess of the amount payable as dividends on each preference share, then the size of the dividends payable on preference shares should be increased to the size of the dividends payable on ordinary shares.

Dividends may not be paid unless both of the following criteria are met:

- based on the results of the financial period, there is net profit;
- based on the results of the financial period, there is adjusted net profit.

Information about the Regulations for Dividend Policy of the Company can be found on the corporate website at [http://www.rosseti.ru/media/zakupki/Pologenie\\_dividendnay\\_politika\\_18.11.14.pdf](http://www.rosseti.ru/media/zakupki/Pologenie_dividendnay_politika_18.11.14.pdf)

### Dividend History of the Company from 2011 to 2013

	in 2011 for 2010	in 2012 for 2011	in 2013 for 2012
Declared dividends per preference share, RUB	0.05	0.07	0.08
Total declared dividends, thousand RUB	103,757	145,260	166,012

## Dividends for 2014

The Company's Annual General Meeting of Shareholders, discussing the Company's performance for 2013, decided on June 30, 2014, to pay no dividends on preference or ordinary shares in the Company for 2013 due to the absence of net profit.

☐ Detailed information about the Company's Annual General Meeting of Shareholders held in 2014 and its resolutions can be found on the corporate website at [http://www.rosseti.ru/investors/common/results/doc/meeting\\_30.06.2014.php/](http://www.rosseti.ru/investors/common/results/doc/meeting_30.06.2014.php/)

The Annual General Meeting of Shareholders scheduled for June 2015 will decide whether dividends will be paid for 2014.

☐ Information about the Company's complete dividend history can be found on the corporate website at <http://www.rosseti.ru/investors/dividend/>

## ROSSETI SDCs

In defining its position on the payment of dividends by the ROSSETI Group's entities ("SDCs"), the Company's management, as a shareholder of SDCs, relies on the regulations for dividend policy approved by the boards of directors of SDCs and complies with the requirements set forth in the applicable laws.

Dividends may not be paid unless all of the following criteria are met:

- there is net profit, net of financial investment revaluation;
- the debt to EBITDA ratio (at year end) is three or below;
- service reliability and quality indicators are attained.

Since the inception of the Company, SDCs have shown an upward change in dividend payment and a trend toward an increase in aggregate dividend payouts.

	in 2011 for 2010	in 2012 for 2011	in 2013 for 2012
Dividends payable by SDCs to the Company, thousand RUB	1,623,659	1,635,520	3,646,331

In 2014, ROSSETI was entitled to 31 billion rubles of dividends for 2013 on SDCs' shares held by the Company.

☐ Detailed information about the Dividend Policy of ROSSETI SDCs is posted on their respective webpages:

SDCs	Webpages
Yantarenergo	<a href="http://www.yantarenergo.ru/informaciya">http://www.yantarenergo.ru/informaciya</a>
IDGC of Volga	<a href="http://www.mrsk-volgi.ru/ru/aktsioneram_i_investoram/">http://www.mrsk-volgi.ru/ru/aktsioneram_i_investoram/</a>
IDGC of South	<a href="http://www.mrsk-yuga.ru/pages/show/stock">http://www.mrsk-yuga.ru/pages/show/stock</a>
IDGC of Siberia	<a href="http://www.mrsk-sib.ru/index.php?option=com_content&amp;view=category&amp;layout=blog&amp;id=1168&amp;Itemid=1975&amp;lang=ru40">http://www.mrsk-sib.ru/index.php?option=com_content&amp;view=category&amp;layout=blog&amp;id=1168&amp;Itemid=1975&amp;lang=ru40</a>
MOESK	<a href="http://www.moesk.ru/invest_news/securities/stock-capital/">http://www.moesk.ru/invest_news/securities/stock-capital/</a>
FGC UES	<a href="http://www.fsk-ees.ru/shareholders_and_investors">http://www.fsk-ees.ru/shareholders_and_investors</a>
Tyumenenergo	<a href="http://www.te.ru/aktsioneram_i_investoram/">http://www.te.ru/aktsioneram_i_investoram/</a>
IDGC of Centre	<a href="http://www.mrsk-I.ru/investors/">http://www.mrsk-I.ru/investors/</a>
IDGC of North-West	<a href="http://www.mrsksevzap.ru/investorsrootpage">http://www.mrsksevzap.ru/investorsrootpage</a>

LENENERGO	<a href="http://www.lenenergo.ru/shareholders">http://www.lenenergo.ru/shareholders</a>
TDC	<a href="http://trk.tom.ru/investors/">http://trk.tom.ru/investors/</a>
IDGC of Center and Volga Region	<a href="http://www.mrsk-cp.ru/?id=257">http://www.mrsk-cp.ru/?id=257</a>
IDGC of Urals	<a href="http://www.mrsk-ural.ru/ru/328">http://www.mrsk-ural.ru/ru/328</a>
IDGC of Northern Caucasus	<a href="http://www.mrsk-sk.ru/shareholders_and_investors/">http://www.mrsk-sk.ru/shareholders_and_investors/</a>
Kubanenergo	<a href="http://www.kubanenergo.ru/stockholders/">http://www.kubanenergo.ru/stockholders/</a>



# 6

## Sustainable Development

- 01 > Dialog with Stakeholders
- 02 > Personnel and Social Policy
- 03 > Social Responsibility
- 04 > Occupational Safety
- 05 > Environmental Safety and Environmental Protection
- 06 > Public Relations and International Cooperation
- 07 > Public and Media Relations

## SECTION 6. SUSTAINABLE DEVELOPMENT

### Dialog with Stakeholders

The sustainability policy is considered by the Company to be an instrument for reaching ROSSETI's strategic objectives: resource conservation and a reliable electricity supply.

The basic principles of ROSSETI's sustainability policy are to achieve a balance in securing social and economic interests in the Company's operations and focus on the aspects of sustainable development that are of paramount importance for the Company's stakeholders

Regular communication with stakeholders plays an important role because they allow a better understanding of their expectations and use a targeted approach to the formation of the agenda in relation to corporate social responsibility. This dialog uses such channels of communication as participation in conferences and exhibitions, multilateral discussions, publications in the media.

As provided for in the applicable laws, the Company discloses information on its corporate website and through the authorized news agency, stock exchange, and printed media. The channels of disclosure are described in more detail in *Corporate Governance (Information Policy)*.

 Corporate social responsibility reports can be found on the corporate website at <http://rr13.rosseti.ru/sr/>

Stakeholders	Comments
<p><b>Shareholders</b></p> <ul style="list-style-type: none"> <li>• Ensuring long-term prospects for the sustained growth of shareholder value</li> <li>• Improving the quality of corporate governance</li> </ul>	<p> Detailed information is contained in the Annual Report in <i>Shareholder Relations</i> and <i>Corporate Governance</i> (see the Road Map)</p>
<p><b>Government, regions, and regulators</b></p> <ul style="list-style-type: none"> <li>• Ensuring employment in the regions where the Company operates</li> <li>• Facilitating the sustained development of the regions where the Company operates</li> <li>• Ensuring regular tax revenues</li> <li>• Implementing top-priority national projects</li> </ul>	<p> Detailed information is contained in the Annual Report in <i>Sustainable Development</i> and <i>Investment and Innovative Development (Implementation of the Innovative Development Program)</i></p>
<p><b>Employees</b></p> <ul style="list-style-type: none"> <li>• Stable employment at the industry leader</li> <li>• Human resource development, social support</li> <li>• High standards of occupational and industrial safety</li> <li>• Recruitment and development program for young professionals</li> </ul>	<p> Detailed information is contained in the Annual Report in <i>Sustainable Development (Personnel Policy and Human Resource Development)</i></p>

<p><b>Customers</b></p> <ul style="list-style-type: none"> <li>• Securing a reliable power supply</li> <li>• Ensuring transparency and flexibility in dealing with customers</li> <li>• Providing support for domestic power engineering and stimulating import substitution</li> </ul>	<p>☐ Detailed information is contained in the Annual Report in <i>Strategy Report (Operating Results and Energy Efficiency and Reliability Enhancement)</i></p>
<p><b>Suppliers and contractors</b></p> <ul style="list-style-type: none"> <li>• Developing stable partner relations</li> <li>• Creating a transparent competitive environment</li> <li>• Using a market pricing mechanism</li> </ul>	<p>☐ Detailed information is contained in the Annual Report in <i>Strategy Report (Implementation of the Cost Management Program and Procurement)</i></p>
<p><b>Science and education</b></p> <ul style="list-style-type: none"> <li>• Promoting sectoral science and education</li> <li>• Providing training for promising personnel and ensuring the continuity of generations</li> <li>• Using innovative technology</li> </ul>	<p>☐ Detailed information is contained in the Annual Report in <i>Sustainable Development (Personnel Policy and Human Resource Development)</i></p>
<p><b>Mass media and public organizations</b></p> <ul style="list-style-type: none"> <li>• Promoting mutually beneficial cooperation with public organizations</li> <li>• Providing timely access to information on ROSSETI's activities</li> </ul>	<p>☐ Detailed information is contained in the Annual Report in <i>Sustainable Development (Public Relations)</i></p>

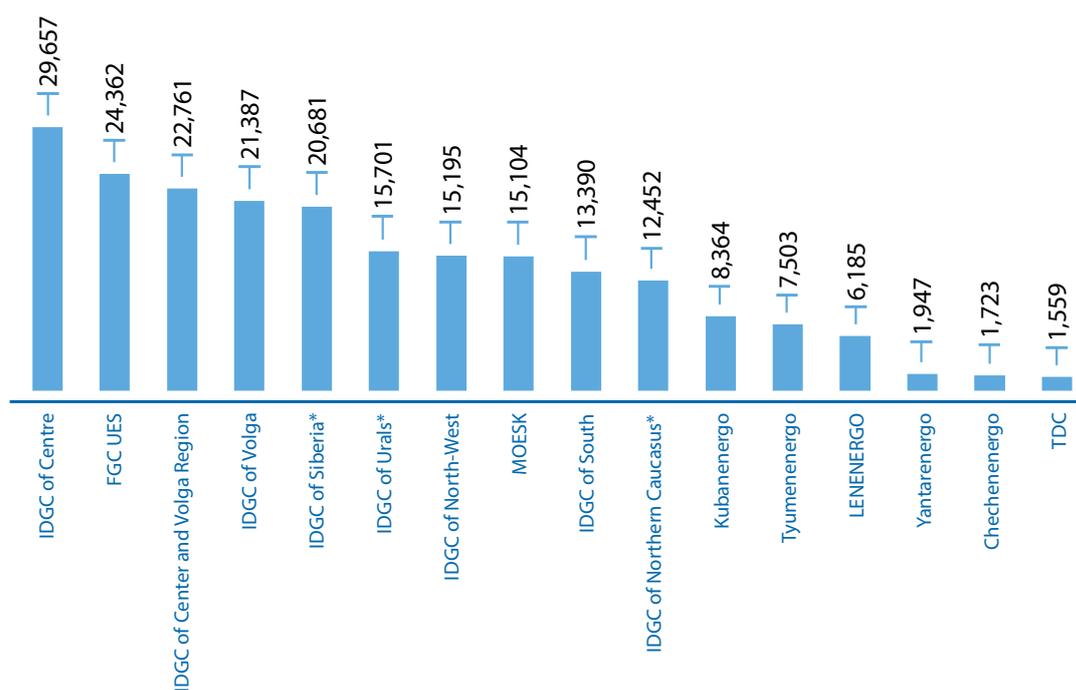
## Personnel and Social Policy

In 2014, the Board of Directors of ROSSETI approved the Personnel and Social Policy formulated with the aim of employing personnel sufficient to achieve the current and long-range goals of electric grid companies, including the goals contained in the Strategy for Development of the Electric Grid Sector of the Russian Federation. The Policy is applied as the policy document establishing electric grid companies' priorities and defining the areas of their activities in human resource management, human resource development, and social management. The provisions of the Policy form the basis for the personnel policies of subsidiaries.

The personnel policy of the ROSSETI Group is aimed at increasing workforce productivity, improving the social security of employees, and creating a favorable socio-psychological climate within the Company

The staff on the payroll of ROSSETI SDCs engaged in the grid business was 217,900 people in 2014 (221,600 in 2013). Changes in the number of the Group's employees were due to downsizing the personnel responsible for the supplier of last resort functions and optimizing the number of administrative personnel.

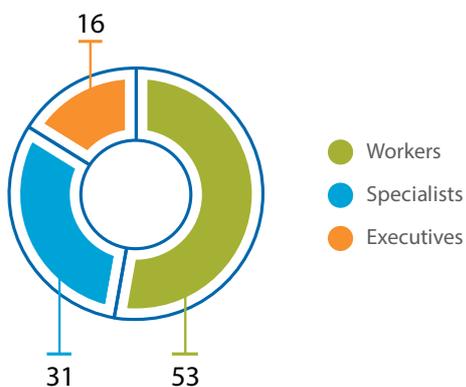
## Staff on the Payroll of ROSSETI SDCs Engaged in the Grid Business, people



\* including subsidiary subsidiaries engaged in the grid business

As of December 31, 2014, workers accounted for the largest part of the ROSSETI Group's workforce (53%).

## Personnel by Occupational Category (as of December 31, 2014)



## Principles of the Personnel Policy

The key goals of the Personnel and Social Policy that are intended to ensure the attainment of the ROSSETI Group's strategic targets are as follows:

- plan personnel requirements by ensuring the availability of reliable information about the current and forecasted quantitative and qualitative workforce requirements, provided that such information is necessary and sufficient for electric grid companies to accomplish their goals;
- provide electric grid companies in a timely manner with required personnel having necessary qualifications;
- ensure electric grid companies' high personnel efficiency and their workforce productivity growth.

The basic principles of pursuing the Personnel and Social Policy in the ROSSETI Group include:

- introducing unified approaches to human resource management into electric grid companies with due consideration to the regional particularities of their operations;
- ensuring that mechanisms for implementing the Policy conform to Russian and foreign best practices and standards in personnel management to the fullest extent possible;
- providing a package of areas and methods of personnel management to enable electric grid companies to adapt quickly and effectively to corporate and external changes;
- creating a uniform personnel environment, employing uniform techniques, and using common information resources to improve personnel management efficiency and ensure cost reduction;
- providing employees with equal opportunities and preventing discrimination for any reason;
- treating employees as human capital assets, creating the conditions for their maximal career development, and investing in personnel development;
- creating the conditions where professionalism, effectiveness, motivation for professional growth, and the sharing of corporate values are the necessary requirements and only guarantee for career development в electric grid companies;
- helping electric grid companies acquire a reputation as a socially responsible and preferable employer to make them more attractive to highly qualified personnel.

## Human Resource Development Programs

In meeting electric grid companies' needs for staffing, priority is given to current employees and their development in accordance with the qualification requirements, the recruitment of young professionals with specialized professional education and, in the case of senior management positions, the industry's best professionals hired on a competitive basis.

The key mechanism for building a career is the establishment and development of personnel reserves

Personnel reserves are established for the positions that require a long time of training and continuity:

- senior positions up to the level of line managers (heads of substations/electric grid districts) — managerial personnel reserves;
- positions whose effective performance requires profound knowledge of the electric grid sector's particularities — key personnel reserves.

Identifying talented young people and creating the conditions for enabling the electric grid sector's young professionals to realize their potential to the fullest extent are part of establishing the youth personnel reserve. Over 80% of managerial positions are covered by the personnel reserve, with every tenth reserve member appointed to a higher position in 2014.

The personnel training and development system of electric grid companies is focused on enabling employees to realize their potential and develop as professionals with due regard to the future needs of companies and changes in the external environment. The personnel training and development system is based on the principles of timeliness, consistency, and continuity.

A substantial advantage of the corporate training system is the availability of a network of regional training centers that provide satisfy the basic needs for production personnel training. These are establishments licensed to provide additional professional training and having lecture halls, laboratories, and electric-grid training grounds.

The training, retraining, and advanced training programs for employees are planned in accordance with the following approaches:

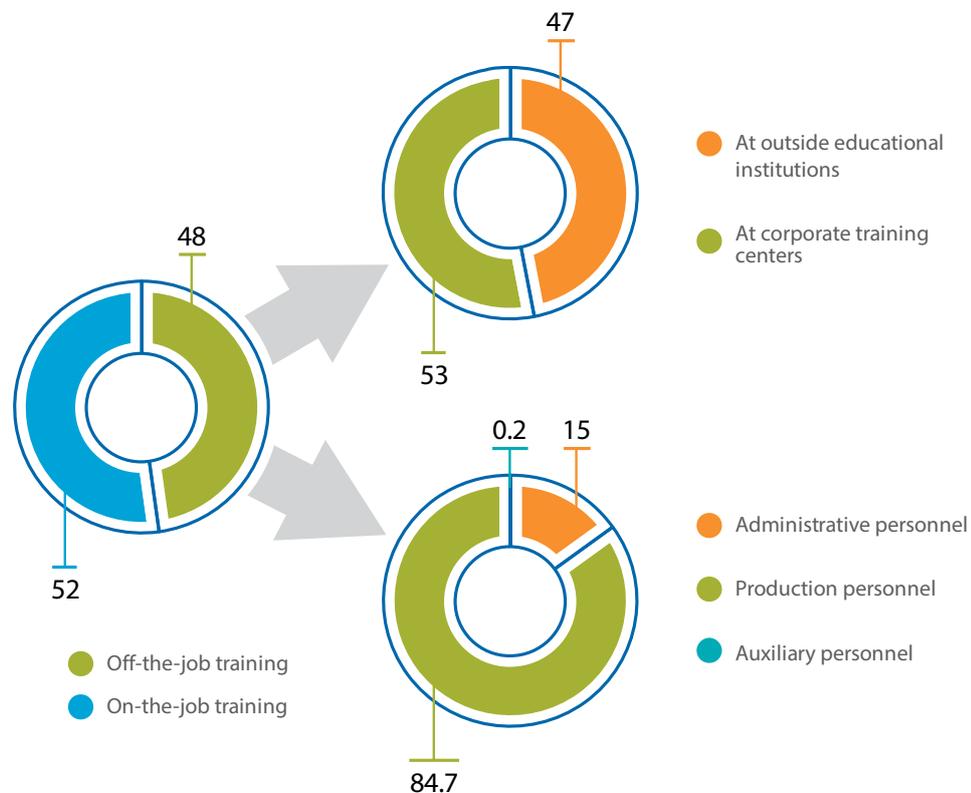
- ensure the unconditional fulfillment of the requirements for mandatory training/certification for electric grid companies' personnel (Personnel Development Rules for the Electric Power

Industry, the requirements set by the Federal Service for Environmental, Technological and Nuclear Supervision of the Russian Federation, etc.);

- give priority to the training programs that support the introduction of new techniques, technologies, and new activities aimed at the development of personnel’s innovative competencies under corporate training programs and under development programs for executives and reserve members;
- achieve the targets of annual personnel training: at least one-third of the staff on the payroll;
- keep a balance between employees’ work hours and personal time in organizing training.

Overall, the training, retraining, and advanced training programs, including training at corporate training facilities, was attended in 2014 by about 240,000 people, or more than 100% of the staff on the payroll of the ROSSETI Group. Off-the-job training was provided for 105,000 people, or about 50% of the Group’s personnel, which is comparable to the level of 2013 (111,000 people).

### Personnel Training Indicators

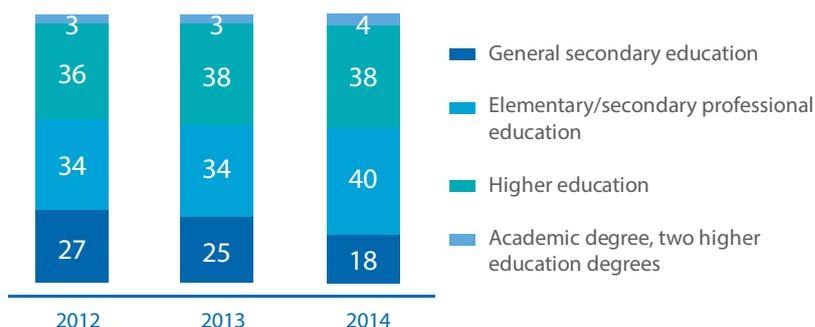


Most of the ROSSETI Group’s employees are production personnel (85%), which, coupled with the need to unconditionally comply with the requirements for mandatory training/certification for electric grid companies’ personnel, results in the fact that more than 80% of trained employees are production personnel.

The effectiveness of measures aimed at human resource development and cooperation with the educational establishments selected as base institutions in the regions where the ROSSETI Group operates is confirmed by positive changes in the qualitative characteristics of personnel:

- the decreased share of employees without professional education

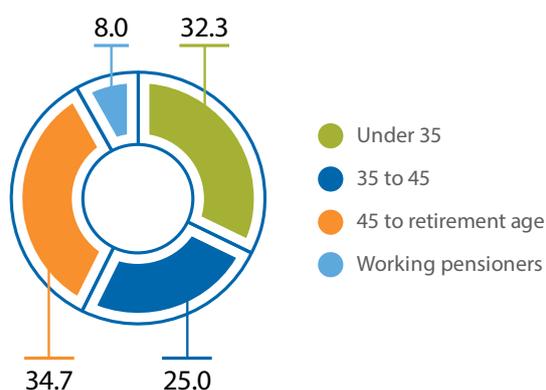
## Changes in Personnel by Educational Level, %



- the age characteristics of personnel remain unchanged

The average age of the ROSSETI Group's employees is 42 years, the same as in 2013. The share of employees aged under 35 is almost one-third, while 50% are the most active employees (25 to 45 years old).

## Personnel by Age (as of December 31, 2014)



An important aspect of staffing is to carry out measures to enhance the prestige of working in the electric power industry and promoting the brand of electric grid companies as a preferred employer. These include not only information campaigns that introduce potential employees to the goals, objectives, values, priorities, and opportunities offered by the ROSSETI Group, but also systemic and multidisciplinary projects:

- the development of student labor brigades as an instrument for attracting young people to the industry and ensuring practice-oriented training; in 2014, the fifth season of work at electric grid facilities, 1,560 students worked in 101 student brigades;

☐ Detailed information about student labor brigades can be found on the corporate website at <http://www.rosseti.ru/about/youthpolicy/studentsteams/>

- for the first time, the year 2014 witnessed the international format of the Youth Forum as part of the St. Petersburg International Economic Forum: along with companies representing the Russian electric grid sector, the event was attended by teams of electric utilities from Germany, France, Italy, Moldova, Kazakhstan; the goal of the project is to create an international communication platform facilitating the expansion of ideas of electric grid companies' young professionals about current development trends in the energy sector in Russia and in the world;
- projects were implemented to identify the scientific and innovative potential of employees: the ROSSETI team of employees and experts took part in the International Forum of Young Power Engineers and Industrialists (Forsage 2014); the International Energy Efficiency and Energy

Saving Forum (ENES 2014) held the contest “From Idea to Introduction” among young professionals’ projects.

□ Detailed information about youth forums can be found on the corporate website at <http://www.rosseti.ru/about/youthpolicy/studentsteams/forums/>

ROSSETI’s activities in human resource development received the award “Creating the Future” from the 1st All-Russian Contest Among Employers’ Best Practices of Dealing with Children, Youth and Personnel Reserves.

## Organizational Structure

As of the end of 2014, the organizational structure of ROSSETI included:

- executive arm;
- Technical Supervision Center, a branch of ROSSETI (established in 2013 for independent technical supervision over electric grid facilities);
- Representative Office of ROSSETI in the Crimean Federal District.

The organizational structures of the ROSSETI Group’s entities are built on linear functional lines, with functional verticals maintained from the management company to the production units of subsidiaries.

## Social Responsibility

In 2014, ROSSETI continued to develop the Company’s social policy, maintaining high standards of social responsibility to employees. ROSSETI’s subsidiaries and dependent companies have collective bargaining agreements based on the Sectoral Wage Rate Agreement in the Electric Power Industry. The agreements specify all social guarantees provided for employees in the electric grid sector.

In 2014, the obligations under the collective bargaining agreements were performed in full.

The ROSSETI Group gives special attention to disease prevention and health protection. For this purpose, the Company takes measures to improve employee health, including regular medical examinations, sporting events, assistance in summertime rest and recreation.

An important aspect of the Company’s social policy is the housing policy. ROSSETI and its subsidiaries and dependent companies developed regulations to improve the living conditions of employees. The main goals of the regulations are to create and ensure the affordability and transparency of corporate assistance and support for employees in the improvement of their living conditions.

Fulfilling the obligations to participate in governmental pension insurance, compulsory health insurance, and compulsory insurance against occupational accidents, ROSSETI supports and develops additional corporate voluntary health insurance, voluntary insurance against accidents and diseases, and non-state pension coverage

## Occupational Safety

A top priority of the Company’s policy toward its employees is to reduce the risk of occupational injuries. ROSSETI keeps on improving the occupational safety management system and enhancing our industrial safety methodologies and processes. The Company systematically collects and analyzes accident information and, based on this analysis, makes decisions to minimize injury risks.

In addition, the Company is active in communicating with various audiences in order to reduce injury risks that may affect outsiders at electric grid facilities. ROSSETI employees work in cooperation with law enforcement agencies to protect power facilities from equipment theft and prevent unauthorized

network connections—these offenses are a frequent cause of injury and death in outsiders. The Company also takes preventive measures to reduce the risk of electrical injuries that may affect people.

To achieve these goals, the Company issued in 2014 the order “On Measures to Reduce the Occupational Injury Rate,” approving the Program of ROSSETI to Reduce the Injury Risks of ROSSETI SDCs’ Personnel and Outsiders at Electric Grid Facilities for 2014–2017 and the Model Comprehensive Program of ROSSETI to Reduce the Injury Risks of ROSSETI SDCs’ Personnel and Outsiders at Electric Grid Facilities for 2014–2017.

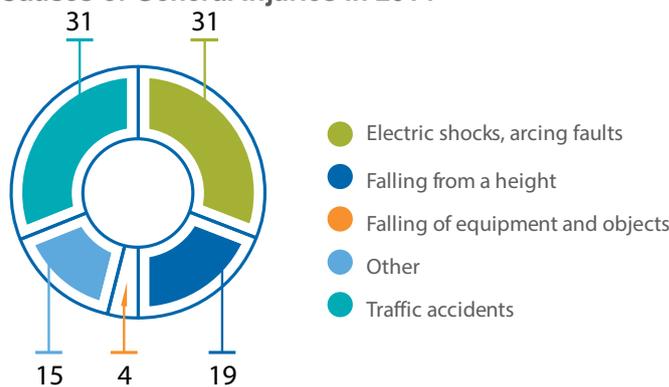
The year 2014 saw 61 occupational accidents at ROSSETI, involving 67 people.

### Number of Accidents

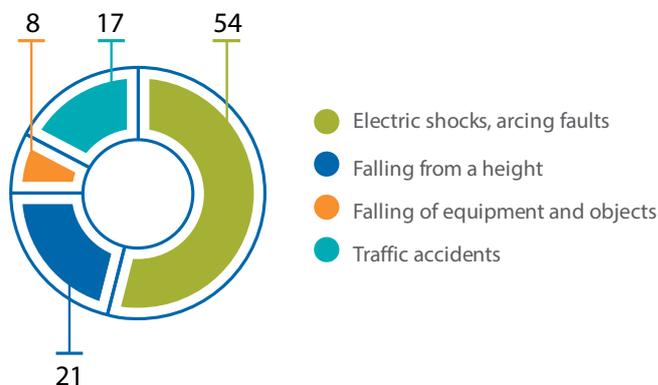
The main cause of injuries in 2014 was electric shocks and arcing faults affecting personnel operating electrical installations.

In 2014, the indicator of electric shocks and arcing faults affecting personnel operating electrical installations decreased by 11% compared with 2013 to 31%

**Causes of General Injuries in 2014**



**Causes of Fatal Injuries in 2014**



The most frequent causes of accidents were as follow:

- failure to comply with technical regulations prescribing the switching-off and grounding of current-carrying parts of operating electrical installations; failure to use personal protective equipment while approaching ungrounded current-carrying parts;
- negligent handling of operating energized equipment.

Increased occupational safety costs prove that efforts in this area are important to ROSSETI SDCs.

The total occupational safety costs of SDCs were 4.1 million rubles in 2014, or 3.3% more than in 2013

The Company is determined to continue its increasingly strenuous efforts in occupational and industrial safety to minimize injury risks affecting its employees and outsiders.

#### Changes in Occupational Safety Expenses of ROSSETI SDCs in 2013 and 2014



## Environmental Safety and Environmental Protection

Operations of ROSSETI and its SDCs do not involve a material adverse environmental impact that can lead to environmental disasters or cause any irreversible change to wildlife. Environmental safety requirements applicable to electrical installations are established in the equipment design phase, including the need for the protection of soil from oil products (construction of oil receivers and drainage systems under oil-filled equipment containing more than 1 tonne of oil), for the protection of people and animals from exposure to current-carrying part (prevention of unauthorized touch or penetration), etc.

### Key Goals of Environmental Responsibility

The development of the procedure for implementing voluntary mechanisms of the Company's environmental responsibility and the necessity for the regular publication of Russian Grids non-financial reports are set out in Directive No. 1710p-P13a of March 30, 2012, approved by Russian Prime Minister Vladimir Putin.

The goals and objectives of ROSSETI's environmental responsibility are contained in the guidelines and ruling documents prepared and constantly updated at the level of SDCs. The key areas of protecting the

environment against the adverse impact of operating activities of the distribution grid organizations managed by ROSSETI are set forth in the Programs of Environmental Policy Implementation specifying environmental protection measures in the areas listed below:

- air protection
- water protection and conservation
- land protection and conservation
- technical measures
- resource conservation and energy efficiency enhancement

## **Environmental Protection Initiatives and Current Programs**

### **Air Protection**

Air emissions totaled 1,498 tonnes in 2014, including 160.11 tonnes of solid emissions (11%) and 1,323.07 tonnes of liquid and gaseous emissions (89%) in the reporting period, namely:

- 91.28 tonnes of sulfur dioxide (6.9%)
- 578.12 tonnes of carbon oxide (43.7%)
- 207.78 tonnes of nitrogen oxide (rebased to NO<sub>2</sub>) (15.7%)
- 57.66 tonnes of hydrocarbons (net of volatile organic compounds) (4.4%)
- 366.14 tonnes of volatile organic compounds (27.7%)
- 0.60 tonne of benzopyrene (0%)

Air protection measures include:

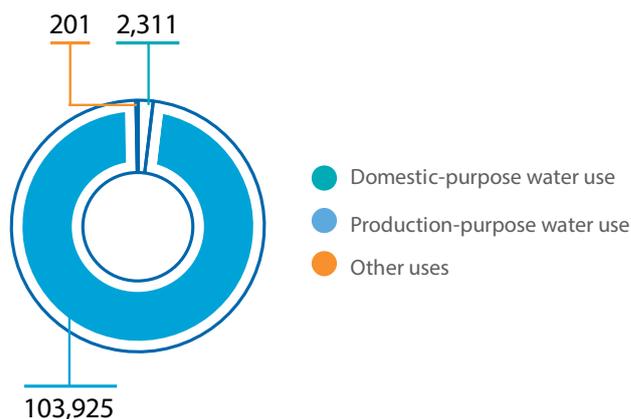
- controlling the harmful content of vehicle exhaust emissions to prevent impermissible excess values, adjusting vehicle fuel systems, and replacing gasoline systems with gas-powered systems;
- renovating and landscaping land;
- putting into operation dust-collecting units for woodworking machines.

Some branches of SDCs where the key adverse factors were the noise generated by the cooling systems of supply transformers in the case of substations rated 35 kV and above that were located near residential areas and the exhaust gas emitted by vehicles in the case of motor depots located near residential areas worked to develop and justify sanitary protection zones (SPZs).

### **Water Protection and Conservation**

Overall, water withdrawal in the reporting period was 106,178 thousand cbm (132% up). Most water came from surface sources (103,208 cbm, or 143% up), and a relatively small amount came from underground sources (1,112 cbm, or 12% down) and other sources (1,786 cbm, or 10% down). 106,429 thousand cbm of water was mainly utilized for production purposes (103,924 thousand cbm).

## Water Uses, cbm in thousands



Water protection and conservation measures generally dealt with:

- exercising compliance control with respect to maximum permissible concentrations in effluents in sewerage systems;
- repairing drainage systems to prevent effluents with exceeded maximum permissible concentrations from coming into sewerage systems or ground water;
- improving drainage systems, complying with laws with respect to making payments to specialist organizations for the receipt and treatment of effluents;
- controlling the condition of the treatment facilities of vehicle-washing plants;
- installing new filters and chemical agents at closed-water-cycle vehicle-washing plants, etc.

## Land Protection and Conservation

In 2014, the Company generated 112,048 tonnes of waste, including 218 tonnes of ash and slag. 2,476 tonnes of waste remained at the end of the year. Waste treatment measures generally dealt with:

- disposing of production waste;
- transferring (entering into agreements for the transfer of) production waste to specialist organizations for subsequent processing and dumping;
- setting limits on waste disposal and providing equipment for temporary waste storage places.

Most waste was transferred to outside organizations (108,883 tonnes) in the reporting period, and a portion of waste (1,328 tonnes) was decontaminated.

The year 2014 saw a considerable decrease in damage to land (from 15.08 hectares in 2012 to 0.47 hectares in 2014), all of which was rehabilitated. Only 1.29 hectares of damaged land remained at the end of the year.

## Technical Measures

Technical measures are the main area of grid organizations' activities: the operation of electrical installations whose specifications, requirements, and characteristics comply with the applicable legislative acts, including with respect to environmental issues.

The focus in 2014 was on the following measures:

- oil-filled circuit breakers were replaced with vacuum equipment that does not contain oil products contaminating land;
- repairs were carried out to oil receivers and drainage systems, and a disposal was made of trichlorodiphenyl-filled static compensator battery cells pursuant to the Stockholm Convention on

Persistent Organic Pollutants to ensure their safe operation, decommissioning, and disposal without causing harm to people.

This equipment is disposed of in a phased manner according to its technical condition and depending on planned replacement and disposal expenses. A phased draft of the schedule for disposing of capacitor cells was made for 2013–2025. Disposal of static compensator battery cells in 2014:

- IDGC of Centre: 128 cells with a total weight of 5.5 tonnes
- Kubanenergo: 283 cells with a total weight of 14.4 tonnes
- IDGC of Siberia: 270 cells with a total weight of 16.2 tonnes
- FGC UES: 4134 cells with a total weight of 172.6 tonnes.

Payments for permissible and above-level emissions, effluents, and waste disposal are made; compared with 2013, such payments remained the same (a reduction of 717,000 rubles), due to the timely preparation and approval of permits at most SDCs, thus avoiding fivefold payments, and totaled 45,675,000 rubles;

- new construction, rehabilitation, and technical upgrading of overhead lines rated 1,000 V and below use self-supporting insulated wires and 6–20 kV protected-wire overhead lines are built, which decreases the area of cut-over land and protects birds from an electric shock;
- new construction in large birds' nesting areas does not use towers with pin insulators; bird barriers are installed;
- bird protection equipment and insulation for exposed current-carrying parts of substation busbars, including visual and acoustic repellents, were mainly installed in large bird habitats and migration paths.

Overall, the Company purchased and installed 25,556 bird protection equipment units, including as follows:

- IDGC of Center and Volga Region in 2014 purchased 4,800 bird protection equipment units for overhead lines of its branches Marienergo, Nizhnovenergo, and Udmurtenergo. First, bird protection equipment is installed on overhead lines located in conservation and wildlife areas. The total number of bird protection equipment units installed on 6–10 kV overhead lines of IDGC of Center and Volga Region is 20,264, which made it possible to provide equipment for about 500 kilometers of lines;
- Under the program, IDGC of Volga in 2014 purchased and installed 8,677 bird protection equipment units for Ulyanovsk Distribution Networks, 496 units for Chuvashenergo, and 1,362 units for Samara Distribution Networks;
- IDGC of Siberia in 2014 completed measures to install 1,800 bird protection equipment units on 6–10 kV overhead lines.

Noise screens installed in 110 kV substations reduce noise in residential areas to the maximum permissible limit in accordance with SanPiN. The rehabilitation and re-equipment of oil-filled supply transformers rated 6–10/0.4 kV is accompanied by their gradual replacement with oil-filled sealed, dry transformers, which makes it possible to minimize oil product spills contaminating land. The construction and repair of cable lines use modern cables with insulation made of cross-linked polyethylene and heat shrink tubing, which eliminates the use of lead.

## **Public Relations and International Cooperation**

Adhering to the principles of transparency and accessibility, ROSSETI strives to ensure a high level of the transparency of its activities and maintains active communication with all stakeholders by providing them in a timely manner with the necessary information on all aspects of the Company's operations.

In order to maximize its operating efficiency, ROSSETI implements a uniform external and internal information policy aimed at reducing reputational risks and improving the transparency of the Company's activities.

## **Participation in Conferences and Exhibitions**

In the reporting period, the Company took part in the industry's leading exhibitions, forums, and conferences.

### **► St. Petersburg International Economic Forum**

In May 2014, ROSSETI traditionally participated in the St. Petersburg International Economic Forum. At the Forum, ROSSETI's delegation held several meetings and organized a roundtable discussion on "Integration of Global Energy Systems: Jointly Designing the Future," attended by representatives of Russian federal authorities, foreign ministries and agencies, and executives of major Russian and foreign energy companies.

The Company's participation in the Forum resulted in signing several important documents, including an agreement with the Sverdlovsk Region Government to develop wire manufacture and modernize the Urals electric grid sector, an agreement with the Government of Moscow to develop the territory of New Moscow, and an agreement with the Arkhangelsk Region Government to implement measures to secure a reliable electricity supply and create the conditions for network connection in the Arkhangelsk Region.

The Company signed the General Partnership Agreement with the Moscow Power Engineering Institute concerning the development of cooperation in education and R&D and entered into the Scientific and Technical Cooperation Agreement with Tavrida Electric. Additionally, the Director General of ROSSETI signed an agreement with Oboronenergo to cooperate in carrying out measures to secure a reliable electricity supply and create the conditions for network connection. The Memorandum on Cooperation among ROSSETI, the Agency for Housing Mortgage Lending, and the Agency for Financing of Housing Construction concerning the implementation of the project "Construction and Rehabilitation of Electric Grid Facilities for the Purpose of Providing Citizens of the Russian Federation with Affordable and Comfortable Housing and Public Utility Services" was also signed at the Forum. As part of the event, documents related to setting up the Federal Testing Center and some other agreements were signed.

### **► CIGRE**

In August 2014, ROSSETI's delegation took part in the 45th Session of the Council on Large Electric Systems (CIGRE), currently one of the most reputable scientific and technical associations bringing together researchers and experts in electric power systems from all around the world.

ROSSETI's delegation participated in all panel sessions and discussions. The delegation visited the Technical Exhibition, which included negotiations with GE Digital Energy, NR Electric, ABB, EDF, Alstom, CESI, and Schneider Electric. ROSSETI's representatives visited Concept Grid on an EDF testing site, the Ternes underground substation in Paris, the Smart Grids showroom in Paris's neighborhood Grenelle, and the Operation Agency of EDF. As part of the delegation's participation in the event, ROSSETI's management met with representatives of Schneider Electric, CESI, and ABB.

### **► Sochi 2014 International Investment Forum**

In September 2014, the Company took part in the Sochi 2014 International Investment Forum. The Forum deals with making innovation projects more attractive to investors and implementing such projects. Several documents were signed in Sochi while ROSSETI's delegation was participating in the event.

### **► Rugrids-Electro International Electric Power Forum**

ROSSETI organized the Rugrids-Electro International Electric Power Forum, which took place in October 2014. The main components of the Forum were an exhibition, an extensive business program, a podium of innovative solutions, a business contact exchange, and a youth policy area. The Forum's three days included 28 discussion events.

During the Forum, the pentilateral Energy-Efficient City agreement was signed by ROSSETI, Energostroy-MN, and the city administrations of Gudermes, Magas, and Kaspiysk, and cooperation agreements were signed between ROSSETI and Teplocom Management Company, between ROSSETI and ABB Electroengineering, between ROSSETI and HIGHVOLT Prüftechnik Dresden, and between ROSSETI and RTSoft.

## **International Cooperation**

ROSSETI continued in 2014 to actively build up international cooperation and effective interaction with the global energy community in the areas of primary importance to the Russian electric grid sector.

### **► Cooperation with Foreign Energy Systems**

Cooperation between ROSSETI and foreign energy systems in 2014 involved preparing and signing several documents. These include the agreement with Fingrid Oyj, Finland, for the utilization of transmission capacity, the organization of flow metering, and operation. This project was launched in 2008. In 2014, ROSSETI successfully completed trials tests of two-way electricity transmission between Russia and Finland. The implementation of this strategic project will improve the reliability of the Northwestern Federal District energy system.

Additionally, a strategic cooperation agreement was signed with Belenergo, Belarus, to develop both countries' electric grid sectors, provide personnel training, share experience in operating electric grid facilities, apply new technology, and develop smart grids.

Simultaneously, cooperation with the energy systems of the countries of the BRELL (Belarus, Russia, Estonia, Latvia, and Lithuania) Energy Ring included formulating the new regulations for planning interstate electricity flows with due consideration to trading in the Baltic countries' markets in order to secure electricity supply reliability for Russian customers.

In 2014, the Company signed an agreement with Ukrenergo, Ukraine, to measure the deviations of actual interstate flows from the planned values.

The Advisory Committee of the Eurasian Economic Commission approved the Concept of Forming the Common Electricity Market for Russia, Kazakhstan, and Belarus under the Treaty on the Eurasian Economic Union; the Concept was developed with the participation of ROSSETI.

In 2014, ROSSETI took an active part in the Commission for Operational and Technical Coordination of Joint Operation of Energy Systems in the CIS and Baltic Countries and working groups of the Executive Committee of the CIS Electric Power Council (CIS EPC). The CIS EPC was established in accordance with the Agreement for the Coordination of Interstate Relations in the CIS Electric Power Industries. The most important area of its activities is to create the legal framework of the CIS member states for the electric power industry and take joint measures to secure a stable and reliable electricity supply for the member states.

### **► Participation in the World Energy Council**

In 2014, ROSSETI's senior executives took part in several events organized by the World Energy Council (WEC), for instance, the World Energy Leaders' Dialogue in Abu Dhabi, UAE. The event focused on discussing energy integration, which would enhance energy efficiency and make national energy systems more reliable through access to partner countries' capacity in emergency situations.

Another important event organized by the WEC was the World Energy Leaders' Summit in Cartagena, Colombia, discussing what was done in 2014 to establish CIS countries' National Committees of the World Energy Council and addressing other projects completed with support from ROSSETI as part of strengthening international partnership.

A significant step in 2014 toward expanding cooperation between ROSSETI and the WEC was that the Company became a member of the Russian National Committee of the World Energy Council. ROSSETI's plans include continuing with its efforts to form the Eurasian Committee of the WEC and attracting new countries to participation in the World Energy Council.

### **► Cooperation with the Association of Polar Explorers**

ROSSETI works on carrying out programs of environmental conservation and protection for polar regions through cooperation with the Association of Polar Explorers. Cooperation between the energy company and polar explorers started with signing a cooperation agreement during the St. Petersburg International Economic Forum in 2014. The agreement is aimed at developing the Far North, Arctic, and Antarctic and performing long-term work in area of government policy in these regions.

At the 4th International Forum “The Arctic: Present and Future” in December 2014, the Association of Polar Explorers public commission held the first session on environmental protection. The participants formulated the key priorities for the new body and defined the basic principles of submitting and dealing with initiatives to improve the environment in the Arctic region, which is of great importance to Russia.

In order to continue cooperation between ROSSETI and the Association of Polar Explorers, there are plans to hold the next sessions of the public commission in 2015 as part of the St. Petersburg International Economic Forum and the 5th International Forum “The Arctic: Present and Future.”

## **Public and Media Relations**

The main activities in public relations are communication with the media, governmental authorities, public organizations, and the business and industry community and participation in conferences and exhibitions.

The reporting period focused on the coverage of the Company’s production operations, on the implementation of programs for modernization, connection to the Company’s networks, and the introduction of innovations and cutting-edge technological solutions, and on the improvement of the management model.

One of the main channels of communication with the external audience is the Company’s corporate website at <http://www.rosseti.ru> in English and Russian.

The Media page at <http://www.rosseti.ru/press/news/> publishes news and information messages, management statements, interviews with senior managers, photographs and videos about the Company’s activities, and the archive of the corporate newspaper. The number of site visitors is regularly on the increase: for instance, the previous year saw an increase of 47% on 2013. An important feature of the Company’s corporate website is that it is updated on a daily basis.

The ROSSETI Group receives the regular media coverage of its activities. For example, in the reporting period, the leading federal media (*Kommersant*, *Vedomosti*, RBC, VGTRK, etc.) published more than 25,000 news items, including interviews with top managers and videos about the Company’s operations.

In order to secure the interests of different target groups in the provision of information, the Company maintains its official pages on social networks, constantly increasing the number of subscribers.

The Department for Information Policy and Public Relations holds regular events as part of implementing the targeted communication programs aimed at preventing injuries from electric shocks and reducing the information risks associated with the heat deficit period.

The Company publishes the corporate newspaper ROSSETI, which is an important communication tool for many thousands of the Company’s employees. The main purpose of the publication is to inform personnel about the implementation of the Company’s strategy and about industry events, increase employee loyalty, and develop intracompany communication channels.

Much attention is paid to social actions. For instance, in the reporting period, extensive media coverage was given to the Company’s environmental action of planting trees, a patriotic event dedicated to Victory Day, and the Energy of Olympic Sochi project.

The uniform information policy implemented by all subsidiaries of ROSSETI contributes to the fullest and accurate coverage of the Company’s and SDCs’ activities in the media and to the formation of a positive image.

Based on the performance results in 2014, the media relations service of the Company was recognized as the best in the electricity industry in the KonTEKst contest organized by the Ministry of Energy. In 2014, the successful launch of the strategic communication system in the management of the electric grid sector was awarded the Russian Media Manager National Prize in the media business.

# Contacts

## **Joint stock company “ROSSETI” (JSC “ROSSETI”)**

Registered address: 4, Belovezhskaya st., Moscow, 121353, Russian Federation  
Taxpayer Identification Number (INN)/Primary State Registration Number (OGRN) 7728662669/1087760000019  
Unified State Register of Corporate Entities Series 77 No. 011168002 of July 1, 2008  
Russian Classifier of Businesses and Organizations (OKPO) 94129941  
Telephone/fax: (495) 995-53-33, 664-81-33 (9 a.m. to 6 p.m. Moscow time)  
[www.rosseti.ru](http://www.rosseti.ru)

## **Department for Corporate Governance, Investor and Shareholder Relations**

Toll-free shareholder hotline:  
9 a.m. to 6 p.m. Moscow time  
Telephone: (495) 974-87-40  
E-mail: [ir@rosseti.ru](mailto:ir@rosseti.ru)

## **Auditor**

Full corporate name:  
**Ernst & Young Limited Liability Company**

Short corporate name: Ernst & Young LLC  
Address: 77 bld.1 Sadovnicheskaya Nab., Moscow, 115035  
Telephone: (495) 755 9700  
Fax: (495) 755 9701

## **Depository Bank Bank of New York (GDR)**

101 Barclay street, 22 floor, New York  
New York 10286, United States of America  
[www.bankofny.com](http://www.bankofny.com)

## **Registrar AO STATUS Registration Company**

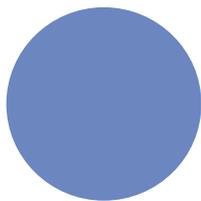
Address: 32/1, ul. Novorogozhskaya, Moscow, 109544  
Telephone: +7 (495) 974-83-45, 974-83-50  
Fax: +7 (495) 678-71-10  
[www.rostatus.ru](http://www.rostatus.ru)

ABBREVIATION	
JSC «Russian Grids», Russian Grids, the Company	Joint Stock Company «Russian Grids»
AC	Authorized Capital
CAO	Code of Administrative Offences of the Russian Federation
CHPP	Combined heat and power plant
CSC	Customer service center
EDN/ETN	Electricity distribution/town networks
ENRs	Electricity Network Regions
ETG	Electricity transmission grids
ETGE	Electricity transmission grid entity
FAS	Federal Antimonopoly Service
FES	Fuel and energy sector
FFMS	Federal Financial Markets Service of the Russian Federation
FGC	Federal Grid Company of Unified Energy System, FGC UES
FOCL	Fiber-optic communications lines
FTS	Federal Tax Service of Russia
FTS	Federal Tariff Service of Russia
GVA	Gigawatt-ampere
GW	Gigawatt
IDGCs	Interregional distribution grid companies

IEMS	Integrated electricity metering system
IFRS	International Financial Reporting Standards
IPS	Integrated Power System
IPS AAG	Intellectual Power System with an Actively Adaptive Grid
IR	Investor/shareholder relations department
ITT	Information technology and telecommunications
KPI	Key performance indicators
kVA	Kilovolt
MICEX PWR	MICEX Power Index. The Sector Indices are market capitalization weighted indices calculated based on prices of the most liquid shares of Russian issuers operating in the relevant economic sectors, admitted to trading on MICEX Stock Exchange, and included in the Broad Market Index calculation base.
MRR	Minimum regulated revenue
MSCI Russia	A Russian stock market index included in the MSCI Emerging Markets Index
MVA	Megavolt-ampere
MW	Megawatt
NC	Network connection
NCC	Network control center
NH	Nominee holder
OL	Overhead line
OTLP	Overhead distribution lines with protected cables
PAR	Protective and automatic relaying
PCN/PRFP	Private competitive negotiations/private requests for proposals

PTSs	Package transformer substations
RAB	Regulatory Asset Base, a system of long-term tariff regulation aiming to encourage investment in the construction and modernization of grid infrastructure and stimulate grid organizations to implement cost efficiency measures
RAS	Russian Accounting Standards
RDC	Research and development center
RGCs	Regional grid companies
RP	Relay protection
SAIDI SAIFI	SAIDI and SAIFI are reliability indicators used for the assessment of electricity distribution services. SAIDI shows the average outage duration, and SAIFI shows the average interruption frequency
SDCs	Subsidiaries and dependent companies
SO UPS	System Operator of the United Power System
SS	Substation
SWRA	Sectoral Wage Rate Agreement
TGCs	Territorial generation companies
TGE	Territorial grid entity
TL	Distribution line
TPP	Thermal power plant
TPS	Thermal power station
TPSOT	Three-phase sealed oil transformer
TSD	Technical standard documents
TTCSR	Transformer-type controlled shunt reactor

UNEG	Unified National Electric Grid
UPS	United Power System of Russia
WGCs	Wholesale generation companies



# Appendix

**Appendix 1. Information about shares held by JSC ROSSETI in Subsidiaries and Dependent Companies as of December 31, 2014**

Item	Joint-Stock Company Name	JSC ROSSETI' Share in Authorized Capital, %	JSC ROSSETI' Share in Votes, %
<b>TRANSMISSION GRID COMPANIES</b>			
1	Federal Grid Company of Unified Energy system, Joint Stock Company	80.13%	80.13%
<b>INTERREGIONAL GRID COMPANIES</b>			
2	Joint Stock Company Tyumenenergo	100.00%	100.00%
3	Interregional Distribution Grid Company of Volga, Joint Stock Company	67.63%	67.63%
4	Interregional Distribution Grid Company of Northern Caucasus, Joint-Stock Company	92.00%	92.00%
5	JOINT-STOCK COMPANY LENENERGO	64.49%	68.12%
6	Interregional Distribution Grid Company of North-West, Joint Stock Company	55.38%	55.38%
7	Interregional Distribution Grid Company of Siberia, Joint Stock Company	55.59%	55.59%
8	Interregional Distribution Grid Company of South, Joint Stock Company	51.66%	51.66%
9	Interregional Distribution Grid Company of Urals, Joint Stock Company	51.52%	51.52%
10	Joint-Stock Company Moscow United Electric Grid Company	50.90%	50.90%
11	Interregional Distribution Grid Company of Center and Volga Region, Joint Stock Company	50.40%	50.40%
12	Interregional Distribution Grid Company of Centre, Joint-Stock Company	50.23%	50.23%
<b>DISTRIBUTION GRID COMPANIES</b>			
13	Yantarenergo Joint-Stock Company for Energy and Electrification	100.00%	100.00%
14	Kuban Power and Electrification Open Joint Stock Company	92.24 %	92.24%
15	Joint-Stock Company Tomsk Distribution Company	85.77%	94.58%
16	Chechenenergo Open Joint-Stock Company "	72.66%	72.66%
17	Joint Stock Company NURENERGO	23.00%	23.00%
<b>REGIONAL SALES COMPANIES</b>			
18	Joint-Stock Company Karachaevo-Cherkesskenergo	100.00%	100.00%
19	Kalmenergosbyt Open Joint-Stock Company	100.00%	100.00%
20	Tyvaenergosbyt Open Joint-Stock Company	100.00%	100.00%
21	Kabardino-Balkarian Open Joint-Stock Company for Energy and Electrification	65.27%	65.27%
22	Dagestan Power Sales Company Open Joint-Stock Company	51.00%	51.00%
23	Sevkavkazenergo Energy and Electrification Company, Joint-Stock Company	49.00%	49.00%
24	Ingushenergo Open Joint-Stock Company for Energy and Electrification	49.00%	49.00%

<b>R&amp;D AND DESIGN COMPANIES</b>			
25	Research Engineering Center of Interregional Distribution Grid Companies Open Joint-Stock Company	100.00%	100.00%
26	Joint-Stock Company Association VNIPIENERGOPROM	100.00%	100.00%
27	Special Design Bureau of Heat Power Engineering Equipment VTI Open Joint-Stock Company	100.00%	100.00%
28	Joint-Stock Company G. M. Krzhizhanovsky Power Engineering Institute	31.34%	31.34%
29	Urals Power Engineering Company Joint-Stock Company – URALVNIPIENERGOPROM, Uralsenergoproekt, UralTEP, UralORGRES, UralVTI, Uralenergoproekt, Chelyabenergoproekt	25.00%	25.00%
30	Joint Stock Company North-West Power Engineering Center	25.00%	25.00%
31	Joint-Stock Company Volga Power Engineering Center	25.00%	25.00%
<b>CONSTRUCTION, PROCUREMENT, AND SERVICE ORGANIZATIONS</b>			
32	Opened Joint Stock Company Power Grid Optical Networks Engineering	100.00%	100.00%
33	VNIPIENERGOPROM Real Estate Open Joint-Stock Company	100.00%	100.00%
34	Engineering Center UES Real Estate Open Joint-Stock Company	100.00%	100.00%
35	North-West Power Engineering Center Real Estate Open Joint-Stock Company	100.00%	100.00%
36	Volga Power Engineering Center Real Estate Open Joint-Stock Company	100.00%	100.00%
37	South Center of Power Engineering Real Estate Open Joint-Stock Company	100.00%	100.00%
38	Urals Power Engineering Company Real Estate Open Joint-Stock Company	100.00%	100.00%
39	Siberian Energy Scientific and Technical Center Real Estate Open Joint-Stock Company	100.00%	100.00%
40	JOINT STOCK COMPANY NORTH-WEST ENERGY MANAGING COMPANY	49.00%	49.00%
41	Grozero Open Joint-Stock Company for Energy and Electrification of the Chechen Republic	49.00%	49.00%
42	IT Energy Service Limited Liability Company	19.99%	
43	Joint-Stock Company ZARUBEZHENERGOSTROY	9.51%	9.51%

## Appendix 2. List of Corporate Local Regulatory Documents

Title	Basic Provisions
Regulations for the General Meeting of Shareholders of the Company (approved by the AGM <sup>1</sup> of the Company on June 30, 2014)	The Regulations define the procedure for convening, preparing, and holding the General Meeting of Shareholders of the Company and for summarizing its results.
Regulations for the Board of Directors of the Company (approved by the AGM of the Company on June 30, 2014)	The Regulations set forth the functions of the Company's Board of Directors.
Regulations for Remuneration and Compensation for Members of the Board of Directors of the Company (approved by the AGM of the Company on June 30, 2014)	The Regulations define the criteria and payment procedure of remuneration for members of the Company's Board of Directors
Regulations for the Internal Audit Commission of the Company (approved by the AGM of the Company on June 30, 2014)	The Regulations set forth the functions of the Company's Internal Audit Commission.
Regulations for Remuneration and Compensation for Members of the Internal Audit Commission of the Company (approved by the AGM of the Company on June 30, 2014)	The Regulations define the criteria and payment procedure of remuneration for members of the Company's Internal Audit Commission.
Regulations for the Management Board of the Company (approved by the AGM of the Company on June 30, 2014)	The Regulations set forth the time and procedure for convening and holding meetings of the Management Board, the quorum at such meetings, and the procedure for adopting the Management Board's decisions.
Regulations for the Valuation Committee of the Board of Directors of the Company (approved by the Board of Directors of the Company on October 21, 2013; Minutes No. 137)	The Regulations define the status and functions of the Valuation Committee.
Regulations for the Audit Committee of the Board of Directors of the Company (approved by the Board of Directors of the Company on October 21, 2013; Minutes No. 137)	The Regulations define the status and functions of the Audit Committee.
Regulations for the Nomination and Remuneration Committee of the Board of Directors of the Company (approved by the Board of Directors of the Company on October 21, 2013; Minutes No. 137)	The Regulations define the status and functions of the Nomination and Remuneration Committee.
Regulations for the Strategy Committee of the Board of Directors of the Company (approved by the Board of Directors of the Company on October 21, 2013; Minutes No. 137)	The Regulations define the status and functions of the Strategy Committee.
Regulations for the Investment, Technical Policy, Reliability, Energy Efficiency, and Innovation Committee of the Board of Directors of the Company (approved by the Board of Directors of the Company on October 21, 2013; Minutes No. 137, in accordance with the amendments approved by the Board of Directors of the Company on December 15, 2014; Minutes No. 173)	The Regulations define the status and functions of the Investment, Technical Policy, Reliability, Energy Efficiency, and Innovation Committee.
Regulations for the Society, Customer, and Government Relations and Information Policy Committee of the Board of Directors of the Company (approved by the Board of Directors of the Company on October 21, 2013; Minutes No. 137)	The Regulations define the status and functions of the Society, Customer, and Government Relations and Information Policy Committee.
Regulations for Providing Information for Members of the Board of Directors of the Company (approved by the Board of Directors of the Company on December 29, 2011; Minutes No. 72)	The Regulations set forth the procedure for considering and dealing with requests for information submitted by members of the Company's Board of Directors as part of their exercise of their rights to receive information concerning the Company's activities.
Risk Management Policy of the Company (approved by the Board of Directors of the Company on April 28, 2014; Minutes No. 151)	The Policy defines the fundamental principles of organization, implementation and control of risk management processes of the Company as part of the Concept of Developing and Improving the

<sup>1</sup> Annual General Meeting of Shareholders

	Internal Control and Audit System and the Risk Management System of the Company.
Internal Audit Policy of the Company (approved by the Board of Directors of the Company on April 28, 2014; Minutes No. 151)	The Policy defines: goals, principles and internal audit functions; authority of internal auditors and the corresponding obligations of management and other personnel of audited divisions/companies; requirements for the Company's internal auditors; internal audit oversight and reporting.
Strategy for Developing and Improving the Internal Control System of JSC ROSSETI and Subsidiaries and Dependent Companies (approved by the Board of Directors of the Company on February 10, 2014; Minutes No. 143)	The Strategy defines principle trends of internal control system (operating areas) of JSC ROSSETI and SDCs.
Internal Control Policy of the Company (approved by the Board of Directors of the Company on April 28, 2014; Minutes No. 151)	The Policy defines the binding fundamental principles for organizing the internal control system and forming a common approach to implementing internal control processes within the Company.
Regulations for Insider Information of the Company (approved by the Board of Directors of the Company on July 25, 2014; Minutes No. 162)	The Regulations set forth the requirements applicable to persons entitled to access insider information, the notification procedure for their transactions related to securities of the Company and its subsidiaries and dependent companies, and the procedure for disclosing information about transactions of persons entitled to access insider information.
Procedure for Interaction of the Company with the Economic Entities Whose Shares (Equities) Are Owned by the Company (approved by the Board of Directors of the Company on April 22, 2011; Minutes No. 57, in accordance with the amendments approved by the Board of Directors of the Company on May 28, 2012; Minutes No. 83)	The Procedure governs the exercise by the Company of the rights of a shareholder in relation to its subsidiaries and dependent companies, which rights are attached to shares, in order to ensure that Company Representatives act effectively in management and control bodies of SDCs. The Procedure describes general conditions for corporate interaction of the Company with SDCs in the areas defined in the Procedure, including corporate planning, the organization and control of corporate action when management bodies of SDCs consider the issues with respect to which, in accordance with the Articles of Association of the Company, the Company's (Company Representatives') position shall be defined.
Regulations for Disclosing Material Information of the Company Under Shareholder Laws and Securities Market Laws (Information Policy) (approved by the Board of Directors of the Company on February 13, 2014 №143)	The Regulations defines the fundamental principles of Information Policy of the Company, the rules and approaches applicable to the Company's disclosure of information; and a list of information and documents that should be disclosed to shareholders, investors, creditors, professional participants in the securities market, governmental authorities, and other stakeholders and that set forth the procedure and deadlines for the disclosure and submission of such information.
Regulations for Dividend Policy of the Company (approved by the Board of Directors of the Company on November 18, 2014; Minutes No. 169)	The Regulations outline the basic principles of the Company's dividend policy and disclose the procedure, period, and other terms and conditions for the payment of dividends on the Company's shares.
Corporate Governance Code of the company (approved by the Board of Directors of the Company on November 30, 2012; Minutes No. 101)	The Code describes the Company's principles of corporate governance, the structure of the Company's management and control bodies and the principles of their interaction, the mechanism for the exercise by shareholders of their rights, and the principles of the Company's interaction with subsidiaries and dependent companies.
The Code of Corporate Ethics of the Company (approved by the Board of Directors of the Company on November 30, 2012; Minutes No. 101)	The Code encourages stable development of corporate culture and system of corporate values of the Company, accords with the highest standards of business conduct and rejects corruption of any kind in the exercise of its operating, investing and other activities.
Regulations for Financial Incentives for Senior Managers of the Company (approved by the Board of Directors of the Company on November 19, 2009; Minutes No. 26)	The Regulations govern remuneration for the Company's executives and the improvement of their motivation to effectively manage financial, economic, and production activities of the Company and subsidiaries and dependent companies.

### Appendix 3. List of Transfer Agents for JSC ROSSETI's Shares

List of offices Office of Sberbank, representing the transfer agent function for JSC ROSSETI's shares

№	Office Name	Postal Code	Constituent Entity of the Russian Federation	Address			Telephone
				Post Town	Street	House	
1	<b>Vostochno-Sibirsky Head Office of Sberbank</b>	<b>660062</b>	<b>Krasnoyarsk Territory</b>	<b>Krasnoyarsk</b>	<b>ul. Televizornaya</b>	<b>1, bld. 9</b>	<b>(391) 259-86-53</b>
2	Vostochno-Sibirsky Additional Office of Sberbank No. 9031/056	660017	Krasnoyarsk Territory	Krasnoyarsk	ul. Lenina	126	(391) 259-86-53
3	Abakanskoye Branch of Sberbank	655004	Republic of Khakassia	Abakan	ul. Pushkina	165	(3902) 249-006
4	Achinskoye Branch of Sberbank No. 9031/201	662150	Krasnoyarsk Territory	Achinsk	8 mikrorayon	6	(39151) 6-80-84
5	Achinskoye Branch of Sberbank No. 9031/207	662150	Krasnoyarsk Territory	Achinsk	3 mikrorayon	39	(39151) 7-75-79
6	Achinskoye Branch of Sberbank No. 9031/212	662155	Krasnoyarsk Territory	Achinsk	ul. Kirova	40A	(39151) 6-80-85
7	Zheleznogorskoye Branch of Sberbank No. 9031/010	662972	Krasnoyarsk Territory	Zheleznogorsk	ul. Lenina	48A	(39197) 2-05-76
8	Kanskoye Branch of Sberbank	663600	Krasnoyarsk Territory	Kansk	ul. Krasnopartizanskaya	69/1	(39161) 6-76-22
9	Lesosibirskoye Branch of Sberbank No. 9031/0901	662547	Krasnoyarsk Territory	Lesosibirsk	ul. Parkovaya	9A	(39145) 5-22-16
10	Minusinskoye Branch of Sberbank No. 9031/0301	662607	Krasnoyarsk Territory	Minusinsk	ul. Shtabnaya	10	(39132) 2-48-59
11	Norilskoye Branch of Sberbank	663300	Krasnoyarsk Territory	Norilsk	ul. B. Khmel'nitskogo	7	(3919) 47-07-15
12	Sharypovskoye Branch of Sberbank No. 9031/0601	662315	Krasnoyarsk Territory	Sharypovo	2 mikrorayon	13	(39153) 61-015
13	Sharypovskoye Branch of Sberbank	662200	Krasnoyarsk Territory	Nazarovo	ul. Kuznechnaya	2	(39155) 5-59-02
1	<b>Baikalsky Head Office of Sberbank</b>	<b>664011</b>	<b>Irkutsk Region</b>	<b>Irkutsk</b>	<b>ul. Nizhnaya Naberezhnaya</b>	<b>10</b>	<b>(3952) 28-21-59 28-20-94, 28-27-57 28-22-50, 28-22-70</b>
2	Bodaybinskoye Branch of Sberbank No. 8601	670031	Republic of Buryatia	Ulan-Ude	ul. Tereshkovoy	3B	(3012) 28-50-41
3	Chitinskoye Branch of Sberbank No. 8600	672010	Trans-Baikal Territory	Chita	ul. Zhuravleva	1	(3022) 33-60-31, 33-60-30, 33-60-29

4	<b>Yugo-Zapadny Head Office of Sberbank</b>	<b>344068</b>	<b>Rostov Region</b>	<b>Rostov-on-Don</b>	<b>ul. Evdokimova</b>	<b>37</b>	<b>(863) 287-82-61</b>
5	Krasnodarskoye Branch of Sberbank No. 8619	35000	Krasnodar Territory	Krasnodar	ul.Krasnoarmeiskaya	34	(861) 219-00-98
<b>1</b>	<b>Zapadno-Uralsky Head Office of Sberbank</b>	<b>614990</b>	<b>Perm Territory</b>	<b>Perm</b>	<b>ul. Ordzhonikidze</b>	<b>4</b>	<b>(3422) 102 633, 102 637</b>
2	Komi Branch of Sberbank No. 8617	167981	Komi Republic	Syktvykar	GSP-1, ul. Sovetskaya	18	(8212) 216 857, 216 172
3	Udmurtskoye Branch of Sberbank No. 8618	426057	Udmurtian Republic	Izhevsk	ul. Krasnaya	105	(3412) 489 539
<b>1</b>	<b>Severo-Vostochny Head Office of Sberbank</b>	<b>685000</b>	<b>Magadan Region</b>	<b>Magadan</b>	<b>Pushkina</b>	<b>11/11</b>	<b>(4132) 60-72-27, 69-03-05</b>
2	Additional Office No. 0160, Kamchatskoye Branch of Sberbank No. 8556	688800	Kamchatka Territory	Tilichiki village	ul. Shkolnaya	17	(415-44) 5-27-87
3	Milkovskoye Branch of Sberbank No. 5492	684300	Kamchatka Territory	Milkovo village	ul. Pushkina	5	(415-33) 2-20-55
4	Tigil'skoye Branch of Sberbank No. 7465	688600	Koryak Autonomous District	Tigil village	ul. Gagarina	22	(415-37) 21-1-37
5	Kamchatskoye Branch of Sberbank No. 8556	683001	Kamchatka Territory	Petropavlovsk-Kamchatsky	ul.Naberezhnaya	30	(415-2) 21-95-00
6	Chaunskoye Branch of Sberbank No. 7253	689400	Chukotka Autonomous District	Pevek	ul. Kuvaeva	49	(427-37) 4-21-91
7	Bilibinskoye Branch of Sberbank No. 7820	689450	Chukotka Autonomous District	Bilibino	m-n Vostochny	1/4	(427-38) 2-63-02
8	Chukotskoye Branch of Sberbank No. 8557	689000	Chukotka Autonomous District	Anadir	ul.V. Beringa	6	(427-22) 2-45-58
9	Aldanskoye Branch of Sberbank No. 1049	678900	Republic of Sakha (Yakutia)	Aldan	ul.Lenina	9	(411-45) 36-9-03
10	Bulunskoye Branch of Sberbank No. 5033	678400	Republic of Sakha (Yakutia)	Tiksi urban-type settlement	ul.Trusova	10	(411-67) 52-4-69
11	Srednekolym'skoye Branch of Sberbank No. 5034	678790	Republic of Sakha (Yakutia)	Srednekolym'sk	ul.Yaroslavskogo	26	(411-56) 4-11-34
12	Vilyuyskoye Branch of Sberbank No. 5037	687200	Republic of Sakha (Yakutia)	Vilyuysk	ul.Oktyabr'skaya	7	(411-32) 4-37-87
13	Nyurbinskoye Branch of Sberbank No. 5038	678450	Republic of Sakha (Yakutia)	Nyurba	ul.Lenina	32/2	(411-34) 2-41-31
14	Suntarskoye Branch of Sberbank No. 5039	678290	Republic of Sakha (Yakutia)	Suntar village	ul.Oktyabr'skaya	60	(411-35) 2-24-45
15	Additional Office No. 085, Yakutskoye Branch of Sberbank No. 8603	678000	Republic of Sakha (Yakutia)	Pokrovsk	ul.Ordzhonikidze	14	(411-44) 43-7-87, 43-0-20

16	Lenskoye Branch of Sberbank No. 5045	678140	Republic of Sakha (Yakutia)	Lensk	ul.Lenina	66	(411-37) 4-11-27
17	Ust-Aldanskoye Branch of Sberbank No. 5046	678350	Republic of Sakha (Yakutia)	Borogontsy village	ul.Lenina	46/1	(411- 61) 4-14-31
18	Tattinskoye Branch of Sberbank No. 5047	678650	Republic of Sakha (Yakutia)	Ytyk-Kyuyol village	ul.Lenina	11/1	(411-52) 4-17-87
19	Churapchinskoye Branch of Sberbank No. 5048	678670	Republic of Sakha (Yakutia)	Churapcha village	ul.Lenina	34	(411-51) 4-14-51
20	Ust-Mayskoye Branch of Sberbank No. 5049	678620	Republic of Sakha (Yakutia)	Ust-Maya urban-type settlement	ul. Gorkogo	50	(411-41) 4-20-30, 4-29-24
21	Amginskoye Branch of Sberbank No. 5050	678600	Republic of Sakha (Yakutia)	Amga village	ul.Partizanskaya	77	(411-42) 4-17-87
22	Megino-Kangalasskoye Branch of Sberbank No. 5051	678070	Republic of Sakha (Yakutia)	Megino-Kangalassky ulus	ul. Mayskaya	4	(411-43) 4-17-87
23	Verkhnevilyuyskoye Branch of Sberbank No. 5053	678230	Republic of Sakha (Yakutia)	Verkhnevilyuysk village	ul.Lenina	7	(411-33) 4-17-87
24	Oimyakonskoye Branch of Sberbank No. 7251	678730	Republic of Sakha (Yakutia)	Ust-Nera urban-type settlement	ul.Lenina	14	(411-54) 2-18-69
25	Tomponskoye Branch of Sberbank No. 7733	678720	Republic of Sakha (Yakutia)	Khandyga urban-type settlement	ul. Magadanskaya	4	(411-53) 4-11-59
26	Mirninskoye Branch of Sberbank No. 7800	678174	Republic of Sakha (Yakutia)	Mirny	ul.Komsomolskaya	13	(411-36) 4-20-93
27	Ust-Yanskoye Branch of Sberbank No. 8004	678540	Republic of Sakha (Yakutia)	Deputatsky urban-type settlement	m-n Arktika	15	(411-66) 2-76-19
28	Neryungrinskoye Branch of Sberbank No. 8155	678967	Republic of Sakha (Yakutia)	Neryungri	ul.Lenina	27	(411-47) 6-18-92
29	Yakutskoye Branch of Sberbank No. 8603	677980	Republic of Sakha (Yakutia)	Yakutsk	ul. Oktyabrskaya	17	(411-2) 42-08-13, 34-00-42
30	Additional Office No. 0140, Kamchatskoye Branch of Sberbank No. 8556*	684415	Kamchatka Territory	Ust-Kamchatsk settlement	ul. 60 let Oktyabrya	29	(415-34) 2-05-78
<b>1</b>	<b>Severo-Kavkazsky Head Office of Sberbank</b>	<b>355035</b>	<b>Stavropol Territory</b>	<b>Stavropol</b>	<b>ul.Lenina</b>	<b>361</b>	<b>(8652) 30-83-45 30-80-57, 30-82-86 30-83-82, 30-94-76</b>
2	Stavropolskoye Branch No.5230	357500	Stavropol Territory	Pyatigorsk	ul. Kirova	59	(8793) 33-11-89
3	Dagestanskoye Branch of Sberbank No. 8590	367000	Republic of Dagestan	Makhachkala	ul. Danialova	44	(8722) 68-15-03
4	Dagestanskoye Branch of Sberbank No. 8590	367000	Republic of Dagestan	Makhachkala	ul. Korkmasova	11A	(8722) 68-34-33
5	Ingushskoye Branch of Sberbank No. 8633	386100	Republic of Ingushetia	Nazran	ul. Moskovskaya	27	(8732) 22-92-40

6	Kabardino-Balkarskoye Branch of Sberbank No. 1861	360051	Kabardino-Balkarian Republic	Nalchik	ul. Pushkina/keshokova	33A/72	(8662) 44-16-58, 44-25-69
7	Kalmytskoye Branch of Sberbank No. 8579	358000	Republic of Kalmykia	Elista	ul. V.I.Lenina	305	(84722) 4-57-21, 4-57-24
8	Karachayevo-Cherkesskoye Branch of Sberbank No. 8585	369000	Karachayevo-Cherkessian Republic	Cherkessk	ul. Lenina	53	(8782) 26-11-89
9	Severo-Osetinskoye Branch of Sberbank No. 8632	362003	Republic of North Ossetia-Alania	Vladikavkaz	ul. Kotsoeva	68	(8672) 55-02-63, 55-00-00
10	Severo-Osetinskoye Branch of Sberbank No. 8632	363750	Republic of North Ossetia-Alania	Mozdok	ul. Kirova	61	(86736) 3-69-86
11	Chenenskoe Branch of Sberbank No. 8643	364024	The Chechen Republic	Grozny	ul. Sheikha Ali Mitaeva	12	(8712) 62-96-21
<b>1</b>	<b>Sibirsky Head Office of Sberbank</b>	<b>630007</b>	<b>Novosibirsk Region</b>	<b>Novosibirsk</b>	<b>ul. Serebrennikovskaya</b>	<b>20</b>	<b>(383) 212-2220 212-2221, 212-2222 319-7020</b>
2	Altay Branch of Sberbank No. 8644	656038	Altay territory	Barnayl	prospect Komsomolsky	106a	(3852) 399-306 389-128, 389-074
3	Kemerovskoye Branch of Sberbank No. 8615	650066	Kemerovo Region	Kemerovo	prospekt Oktyabrsky	53	(3842) 35-24-25
4	Tomskoye Branch of Sberbank No. 8616	634061	Tomsk Region	Tomsk	prospekt Frunze	90/1	(3822) 24-94-09
<b>1</b>	<b>Srednerussky Head Office of Sberbank</b>	<b>109544</b>	<b>Moscow</b>	<b>Moscow</b>	<b>ul. Bolshaya Andronyevskaya</b>	<b>8</b>	<b>(495) 785 45 10</b>
2	Tulskoye Branch of Sberbank No. 8604	300000	Tula Region	Tula	pl. Chelyuskintsev	1	(4872) 36-89-13
3	Smolenskoye Branch of Sberbank No. 8609	214025	Smolensk Region	Smolensk	ul. Polka Normandiya-Neman	23	(4812) 49-14-31
4	Bryanskoye Branch of Sberbank No. 8605	241050	Bryansk Region	Bryansk	pr. Lenina	10B	(4832) 67-37-65
5	Kaluzhskoye Branch of Sberbank No. 8608	248001	Kaluga Region	Kaluga	ul. Kirova	21A	(4842) 71-30-64
6	Ryazanskoye Branch of Sberbank No. 8606	390000	Ryazan Region	Ryazan	ul. Pozhalostina	19	(4912) 29-67-59
7	Tverskoye Branch of Sberbank No. 8607	170100	Tver Region	Tver	ul. Tryokhsvyatskaya	8	(4822) 37-03-19
<b>1</b>	<b>Povolzhsky Head Office of Sberbank</b>	<b>443110</b>	<b>Samara Region</b>	<b>Samara</b>	<b>pr. Lenina</b>	<b>17</b>	<b>(846) 998-18-85</b>
2	Avtozavodskoy Division of Samarskoe Branch of Sberbank No. 6991	445027	Samara Region	Tolyatti	ul. Uibileinaya	55	(8482) 95-62-45
3	Volgogradskoye Branch of Sberbank No. 8621	400005	Volgograd Region	Volgograd	ul. Kommunisticheskaya	40	(8442) 74-20-91
4	Saratovskoye Branch of Sberbank No. 8622	410012	Saratov Region	Saratov	ul. Vavilova	1/7	(8452) 50-75-21

5	Orenburgskoye Branch of Sberbank No. 8623	461300	Orenburg Region	Orenburg	ul. Volodarskogo	16	(3532) 98-13-62, 98-13-64
6	Penzenskoye Branch of Sberbank No. 8624	440600	Penza Region	Penza	ul. Suvorova	81	(8412) 20-35-07
7	Astrakhanskoye Branch of Sberbank No. 8625/8625	414000	Astrakhan Region	Astrakhan	ul. Kirova	41	(8512) 32-10-72, 32-12-38
8	Ulyanovskoye Branch of Sberbank No. 8588	432017	Ulyanovsk Region	Ulyanovsk	ul. Goncharova	40a	(8422) 42-68-40
<b>1</b>	<b>Severo-Zapadny Head Office of Sberbank</b>	<b>191028</b>	<b>Saint Petersburg</b>	<b>Saint Petersburg</b>	<b>ul. Furshtadskaya</b>	<b>5</b>	<b>(812) 329-45-56, (812) 329-37-74</b>
2	Securities Department, Kaliningradskoye Branch of Sberbank No. 8626	236006	Kaliningrad Region	Kaliningrad	Moskovsky pr.	24	(4012) 351-965
3	Securities Department, Murmanskoye Branch of Sberbank No. 8627	183038	Murmansk Region	Murmansk	pr. Lenina	37	(8152) 280-325, (8152) 280-360
4	Securities Department, Karelskoye Branch of Sberbank No. 8628	185035	Republic of Karelia	Petrozavodsk	ul. Antikaynena	2	(8142) 710-811
5	Securities Department, Novgorodskoye Branch of Sberbank No. 8629	173000	Novgorod Region	Veliky Novgorod	pr. Mira	32, к.1	(8162) 986-234
6	Securities Department, Pskovskoye Branch of Sberbank No. 8630	180000	Pskov Region	Pskov	pr. Oktyabrsky	23/25	(8112) 698-770

**Appendixes 4-5**

**Auditors' Report  
on the Accounting Statements of  
Joint Stock Company  
ROSSETI  
for 2014**

# Auditors' Report on the Accounting (Financial) Statements of Joint Stock Company ROSSETI

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Ernst & Young LLC  
Sadovnicheskaya Nab., 77, bld. 1  
Moscow, 115035, Russia  
Tel: +7 (495) 705 9700  
+7 (495) 755 9700  
Fax: +7 (495) 755 9701  
www.ey.com/ru

ООО «Эрнст энд Янг»  
Россия, 115035, Москва  
Садовническая наб., 77, стр. 1  
Тел.: +7 (495) 705 9700  
+7 (495) 755 9700  
Факс: +7 (495) 755 9701  
ОКПО: 59002827

*JSC Russian Grids  
Auditors' Report  
on the Accounting Statements for 2013*

## Report of Independent Auditor

Shareholders of Joint Stock Company ROSSETI  
Board of Directors of JSC ROSSETI

We have audited the accompanying accounting (financial) statements of Joint Stock Company ROSSETI (hereinafter the "Company"), consisting of Balance Sheet as of December 31, 2014, Statement of Financial Performance for 2014 and Appendices thereto.

### ***Responsibility of the Auditee for Accounting (Financial) Statements***

Management of Joint Stock Company ROSSETI is responsible for the preparation and reliability of these accounting (financial) statements in accordance with the rules of the Russian Federation applicable to the preparation of accounting (financial) statements and for the internal control system necessary to prepare accounting (financial) statements that are free of material misstatements arising out of unfair acts or errors.

### ***Responsibility of the Auditor***

Our responsibility is to express, based on the conducted audit, an opinion on the reliability of accounting statements.

We conducted our audit in accordance with federal auditing standards, applicable in the Russian Federation, and international auditing standards. These standards require compliance with applicable ethics and lay down that audits should be so planned and carried out as to obtain reasonable assurance about whether accounting (financial) statements are free of material misstatements.

The audit included the auditing procedures aiming to obtain auditor evidence supporting the amounts and disclosures in the accounting (financial) statements. The selection of the auditing procedures is at our discretion based on assessing the risk of material misstatements in the accounting (financial) statements, arising out of unfair acts or errors. In the course of assessing this risk, the auditor examined the internal control system employed to prepare the accounting (financial) statements and ensure their reliability with the aim of selecting the appropriate auditing procedures rather than expressing an opinion on the efficiency of internal control. The audit also included assessing whether the suitable accounting policy was applied and whether the estimates

made by management of the Company were valid and evaluating the overall accounting (financial) statement presentation.

We believe that the audit evidence obtained by our audit provides a reasonable basis for our opinion.

### ***Opinion***

In our opinion, the accompanying accounting (financial) statements present fairly, in all material respects, financial position of Joint Stock Company ROSSETI as at December 31, 2014, and the results of its financial and economic operations and its cash flows for 2014 in accordance with the Russian rules applicable to the preparation of accounting (financial) statements.

### ***Emphasis of Matter***

Accounting (financial) statements of Joint Stock Company ROSSETI for 2013 were audited by a different auditor, which issued an auditor report of March 26, 2014, that expressed an unmodified opinion, including the point Important Events, drawing attention to review the accounting (financial) statements presented previously by the Company in relation to the recognition of a reserve for doubtful receivables.

Accounting (financial) statements of Joint Stock Company ROSSETI for 2012 were audited by a different auditor, which issued an auditor report of March 4, 2013, expressing an unmodified opinion.

The accompanying accounting (financial) statements are not intended to present the financial position and results of operations in accordance with the principles or methods of accounting generally accepted in countries and jurisdictions other than the Russian Federation. Accordingly, the accompanying accounting (financial) statements are not intended for persons who are not familiar with the principles, procedures and accounting practices adopted in the Russian Federation.

D.E. Lobachev  
General Director  
Ernst & Young, LLC

March 27, 2015

### ***Auditee Information***

Name: Joint Stock Company ROSSETI  
Record made in the Unified State Register of Legal Entities on July 1, 2008 with the assignment of the state registration number 108776000019.  
Location: 121353, Moscow, ul. Belovezhskaya, 4

### ***Auditor Information***

Name: Ernst & Young, LLC  
Record made in the Unified State Register of Legal Entities on December 5, 2002 with the assignment of the state registration number 1027739707203.  
Location: 115035, Russia, Moscow, Sadovnicheskaya nab., 77, str. 1  
Ernst & Young, LLC is a member of Self-Regulatory Auditor Organization, Non-Profit Partnership "Russian Audit Chamber (SRO NP APR). Ernst & Young, LLC is included in the control copy of the register of auditors and audit organizations, main identification number of record 10201017420.

**Balance Sheet**  
as at December 31, 2014

Organization: **Joint Stock Company ROSSETI**  
Taxpayer Identification Number:  
Activity type: **management of holding companies**

Legal form of ownership / ownership category:  
**open joint-stock company / mixed Russian ownership with a share of federal ownership**

Measurement unit: **thousands of rubles**

Location: 121353, Moscow, ul. Belovezhskaya, 4

	Codes
Form as per OKUD	0710001
Date (day/month/year)	31/12/2014
OKPO	94129941
INN	7728662669
OKVED	74.15.2
OKOPF/OKFS	12247/41
OKEI	384

Notes	Item	Code	December 31, 2014	December 31, 2013	December 31, 2012
	<b>ASSETS</b>				
1,1, 2.2	<b>I. NONCURRENT ASSETS</b>				
2.2, 12.3.1	Intangible assets	1110	42 706	5 107	920
	including: continuing intangible assets acquisitions	1111	23 844	2 894	
	R&D results	1120	-	-	-
	Intangible exploration assets	1130	-	-	-
	Tangible exploration assets	1140	-	-	-
3.1-3.4	Fixed assets	1150	118 652	78 047	3 520 384
	including:	1151	37 681	494	3 459 126
3.4, 12.3.3	construction in progress				
3.1	Income-bearing investments in tangible assets	1160	4 084	4 237	4 391
	including: assets provided under lease agreement		4 084	4 237	4 391
4.1, 12.3.4	Financial investments	1170	124 447 442	179 702 771	115 399 165
	including: investments in subsidiaries	1171	124 361 701	179 626 561	108 752 297
	investments in dependent companies	1172	7 352	7 352	8 062
	investments in other entities	1173	78 389	68 858	59 666
	loans extended to entities for more than 12 months	1174			2 300 000
	other long-term financial investments	1175			4 279 140
7.2	Deferred tax assets	1180	241 110	76 108	84 458
12.3.9	Other noncurrent assets	1190	73 577	42 063	29 246
	Section I Total	1100	124 927 571	179 908 333	119 038 564
5.1, 12.3.5	<b>II. CURRENT ASSETS</b>	1210	16 338	18 026	6 326
	Inventory				
	Input value added tax	1220	14 348	7 444	258 402
6.1-6-3, 12.3.6	Accounts receivable	1230	3 070 415	3 132 237	3 933 389
	including: Due after 12 months from balance sheet date	1231	1 559 035		858 299
	including:				
	advance payments made	123101	-	-	-
	notes receivable	123102	1 559 035		42 683
	Due within 12 months from balance sheet date	1232	1 511 380	3 132 237	3 075 090
	including:				

	trade receivables	12320	289 857	548 370	413 925
	dividends due from subsidiaries and affiliates	123202	13 021	21 035	13 066
	advance payments made	123203	381 807	309 694	47 773
	notes receivable	123204	405 583	1 984 618	2180105
4.1, 12.3.7	Financial investments (excluding cash equivalents)	1240	9 662 947	5 741 874	31 247 082
	including: loans to organizations for less than 12 months	1241	125 000	-	-
	short-term fixed-term deposits (more than 3 months)	1242	9 537 947	5 741 874	31 247 082
12.3.8	Cash and cash equivalents	1250	6 640 452	6 981 543	3 379 176
	including: short-term fixed-term deposits (3 months and less)	1251	4126 048	5 540 353	2 881 004
12.3.19	Other current assets	1260	50 763	23 424	28 737
	Section II Total	1200	19 455 263	15 904 548	38 853112
	<b>BALANCE</b>	<b>1600</b>	<b>144 382 834</b>	<b>195 812 881</b>	<b>157 891 676</b>
12.3.9	<b>LIABILITIES</b> <b>III. CAPITAL AND RESERVES</b> Authorized capital (share capital, statutory fund, partnership contributions)	1310	163,154,003	49,946,844	45,039,216
12.3.12	Treasury stock	1320	(1,779,140)	1320	(1,779,140)
	Revaluation of noncurrent assets	1340	-	-	-
12.3.11	Additional paid-in capital (net of revaluation)	1350	212,978,109	16,243,928	6,036,063
12.3.10	Reserve funds	1360	2,155,845	2,155,845	2,155,845
	Undistributed profit (uncovered loss)	1370	(233,901,922)	(181,559,166)	69,158,609
	Section III Total	1300	142 606 895	194 949 651	137 505 226
	<b>IV. LONG-TERM LIABILITIES</b>				
	Borrowings	1410	-	-	-
7.2	Deferred tax liabilities	1420	6 465	6 254	4105
	Estimated liabilities	1430	-	-	-
	Other liabilities	1450	-	-	-
	Section IV Total	1400	6 465	6 254	4105
	<b>V. SHORT-TERM LIABILITIES</b>				
	Borrowings	1510	-	-	-
6.4-6.5, 12.3.13	Accounts payable	1520	515 026	432 776	19 965 865
	including:				
	payables to founders with respect to contributions to authorized (share) capital	1521	-	-	19 751 090
	trade payables	1522	210 385	109 408	59 290
	tax liabilities	1523	115 969	132 610	44 119
10	Deferred income	1530	975 048	-	-
7.1, 12.3.20	Estimated liabilities	1540	224 729	376 561	416 280
12.3.6	Other liabilities	1550	54 671	47 639	200
	Section V Total	1500	1 769 474	856 976	20 382 345
	<b>BALANCE</b>	<b>1700</b>	<b>144 382 834</b>	<b>195 812 881</b>	<b>157 891 676</b>

First Deputy Director General for Economic  
Affairs and Finance

(signature)

A. A. Dyomin  
(full name)

Director of the Accounting and Reporting  
Department and Chief Accountant

(signature)

V. V. Shchukin  
(full name)

March 27, 2015

**Statement of Financial Performance**  
for January–December 2014

Organization: **Joint Stock Company ROSSETI**  
Taxpayer Identification Number:  
Activity type: **management of holding companies**  
  
Legal form of ownership / ownership category:  
**open joint-stock company / mixed Russian ownership with a share of federal ownership**  
  
Measurement unit: **thousands of rubles**

	Codes
Form as per OKUD	0710002
Date (day/month/year)	31/12/2014
OKPO	94129941
INN	7728662669
OKVED	74.15.2
OKOPF/OKFS	12247/41
OKEI	384

Notes	Item	Code	January–December 2014	January–December 2013
12.3.16	Revenues	2110	6 242 392	6 098 726
	including:			
	services in relation to organizing operation of and to developing electricity distribution grid sector	2111	2 806 502	2 324 502
	income from interests in other entities	2112	3 064 127	3 646 331
	income from leases	2113	9 523	125 909
	revenues from technical supervision services	2114	362 240	1 984
12.3.16	Cost of sales	2120	(3 863 080)	(3 257 429)
	including:			
	cost of services in relation to organizing operation of and to developing electricity distribution grid sector	2121	(3143 228)	(2 860 283)
	cost of interests in other entities	2122	(377 001)	(262 806)
	cost of lease services	2123	(9 941)	(132 349)
	cost of technical supervision services	2124	(332 910)	(1 991)
	Gross profit	2100	2 379 312	2 841 297
	Selling expenses	2210	-	-
	Administrative expenses	2220	-	-
	Sales profit (loss)	2200	2 379 312	2 841 297
	Income from interests in other entities	2310	-	-
12.3.17	Interest receivable	2320	1 150 400	1 863 309
	Interest payable	2330	-	-
12.3.18	Other income	2340	5 642 564	299 882
12.3.18	Other expense	2350	(61 386 464)	(255 264 375)
	Profit (loss) before tax	2300	(52 214 188)	(250 259 887)
12.3.15	Current profit tax	2410	(296 307)	(281 376)
12.3.15	including permanent tax liabilities (assets)	2421	10 574 354	50 343 852
12.3.15	Change in deferred tax liabilities	2430	(211)	(2 149)
12.3.15	Change in deferred tax assets	2450	165 002	(8 350)
	Other	2460	(666)	(1)
	Net profit (loss)	2400	(52 346 370)	(250 551 763)
	<b>FOR REFERENCE</b>			
	Result of revaluation of noncurrent assets not included in net profit (loss) for accounting period	2510	-	-
	Result of other operations not included in net profit (loss) for accounting period	2520	-	-
	Total financial result for accounting period	2500	(52 346 370)	(250 551 763)
12.3.21	Basic earnings (loss) per share	2900	(0,00032)	(0,00394)
	Diluted earnings (loss) per share	2910	(0,00032)	(0,00394)

First Deputy Director General for Economic Affairs and Finance

(signature)

A. A. Dyomin  
(full name)

Director of the Accounting and Reporting  
Department and Chief Accountant

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(signature)

V. V. Shchukin  
(full name)

March 27, 2015

**Statement of Changes in Capital**  
for January–December 2014

Organization: **Joint Stock Company ROSSETI**  
Taxpayer Identification Number:  
Activity type: **management of holding companies**  
  
Legal form of ownership / ownership category:  
**open joint-stock company / mixed Russian ownership with a share of federal ownership**  
  
Measurement unit: **thousands of rubles**

	Codes
Form as per OKUD	0710003
Date (day/month/year)	31/12/2014
OKPO	94129941
INN	7728662669
OKVED	74.15.2
OKOPF/OKFS	12247/41
OKEI	384

1. Changes in Capital							
Item	Code	Authorized Capital	Treasury stock	Additional Paid-in Capital	Reserve Funds	Undistributed Profit (Uncovered Loss)	Total
Capital as at December 31, 2012 (1)	3100	49 946 844	-	16 243 928	2155 845	69 158 609	137 505 226
<b>2013</b> (2)							
Total increase in capital:	3210	113 207159		196 734181			309 941 340
including:							
net profit	3211	X	X	X	X		
revaluation of assets	3212	X	X		X		-
income directly attributable to increase in capital	3213	X	X		X		
additional issue of shares	3214	113 207159		196 734181	x	X	309 941 340
increase in par value of shares	3215		X	X	X		X
corporate entity reorganization	3216						-
Total decrease in capital:	3220	-	(1 779 140)	-	-	(250 717 775)	(252 496 915)
including:							
loss	3221	X	X	X	X	(250 551 763)	(250 551 763)
revaluation of assets	3222	X	X		X		-
expense directly attributable to decrease in capital	3223	X	X		X		
decrease in par value of shares	3224			X	X		
decrease in number of shares	3225		(1 779 140)	X	X		(1 779 140)

corporate entity reorganization	3226						-
dividends	3227	X	X	X	X	(166 012)	(166 012)
Change in additional paid-in capital	3230	X	X		X		X
Change in reserve funds	3240	X	X	X			X
Capital as at December 31, 2013 (2)	3200	163 154 003	(1 779 140)	212 978109	2155 845	(181 559 166)	194 949 651
<b>2014</b> (3)							
Total increase in capital:	3310					3 614	3 614
including:							
net profit	3311	X	X	X	X		
revaluation of assets	3312	X	X		X		-
income directly attributable to increase in capital	3313	X	X		X	3 614	3614
additional issue of shares	3314				X	X	-
increase in par value of shares	3315		X	X	X		X
corporate entity reorganization	3316						-
Total decrease in capital:	3320					(52 346 370)	(52 346 370)
including:							
loss	3321	X	X	X	X	(52 346 370)	(52 346 370)
revaluation of assets	3322	X	X		X		-
expense directly attributable to decrease in capital	3323	X	X		X		-
decrease in par value of shares	3324		X	X	X		-
decrease in number of shares	3325			X	X		-
corporate entity reorganization	3326						-
dividends	3327	X	X	X	X		-
Change in additional paid-in capital	3330	X	X		X		X
Change in reserve funds	3340	X	X	X			X
Capital as at December 31, 2014 (3)	3300	163154 003	(1 779 140)	212 978109	2155 845	(233 901 922)	142 606 895

## 2. Adjustments Due to Changes in Accounting Policy and Error Correction

Item	Code	December 31, 2012	Changes in Capital in 2013		December 31, 2013
			due to net profit (loss)	due to other factors	
<b>Total capital</b>					
prior to adjustments	3400	137 505 226	(250 551 763)	307 996188	194 949 651
adjustment due to:					

changes in accounting policy	3410	-	-	-	-
error correction	3420				
after adjustments	3500	137 505 226	(250 551 763)	307 996 188	194 949 651
including:					
undistributed profit (uncovered loss):					
prior to adjustments	3401	69 158 609	(250 551 763)	(166 012)	(181 559166)
adjustment due to:					
changes in accounting policy	3411	-	-	-	-
error correction	3421	-	-	-	-
after adjustments	3501	69158 609	(250 551 763)	(166 012)	(181 559166)
Authorized capital					
prior to adjustments	3402	49 946 844		113 207 159	163 154 003
adjustment due to:					
changes in accounting policy	3412	49 946 844	-	113 207 159	163154 003
error correction	3422	-	-	-	-
after adjustments	3502	49 946 844	-	113 207 159	163154 003

3. Net Assets				
Item	Code	December 31, 2014	December 31, 2013	December 31, 2012
Net assets	3600	143 581 943	194 949 651	137 505 226

First Deputy Director General for Economic  
Affairs and Finance

\_\_\_\_\_  
(signature) A. A. Dyomin  
(full name)

Director of the Accounting and Reporting  
Department and Chief Accountant

\_\_\_\_\_  
(signature) V. V. Shchukin  
(full name)

March 27, 2015

**Calculation of the Appraised Value  
of Net Assets of the Joint-Stock Company**

Item 1	Balance Sheet Item Code 2	December 31, 2014	December 31, 2013	December 31, 2012
			4	5
<b>I. Assets</b>				
1. Intangible assets	1110	42 706	5107	920
2. R&D results	1120	-	-	-
3. Intangible exploration assets	1130	-	-	-
4. Tangible exploration assets	1140	-	-	-
5. Fixed assets	1150	118 652	78 047	3 520 384
6. Income-bearing investments in tangible assets	1160	4 084	4 237	4 391
7. Long-term and short-term financial investments	1170 + 1240	134 110 389	185 444 645	146 646 247
8. Other noncurrent assets	1180+1190	314 687	118 171	113 704
9. Inventory	1210	16 338	18 026	6 326
10. Input value added tax	1220	14 348	7 444	258 402
11. Accounts receivable	1230	3 070 415	3132 237	3 933 389
12. Cash and cash equivalents	1250	6 640 452	6 981 543	3 379176
13. Other current assets	1260	50 763	23 424	28 737
14. Total assets used for calculation (sum of items 1–13)		144 382 834	195 812 881	157 891 676
<b>II. Liabilities</b>				
15. Long-term borrowings	1410	-	-	-
16. Deferred tax liabilities	1420	6 465	6 254	4 105
17. Estimated liabilities	1430+1540	224 729	376 561	416 280
18. Other long-term liabilities	1450	-	-	-
19. Short-term borrowings	1510	-	-	-
20. Accounts payable	1520	515 026	432 776	19 965 865
21. Other short-term liabilities	1550	54 671	47 639	200
22. Total liabilities used for calculation (sum of items 15–21)		800 891	863 230	20 386 450
23. Net asset value of the joint-stock company (total assets used for calculation (item 14) minus total liabilities used for calculation (item 22))		143 581 943	194 949 651	137 505 226

First Deputy Director General for Economic  
Affairs and Finance

(signature)

A. A. Dyomin  
(full name)

Director of the Accounting and Reporting  
Department and Chief Accountant

(signature)

V. V. Shchukin  
(full name)

March 27, 2015

**Cash Flow Statement**  
for January–December 2014

Organization: **Joint Stock Company ROSSETI**

Taxpayer Identification Number:

Activity type: **management of holding companies**

Legal form of ownership / ownership category:  
**open joint-stock company / mixed Russian ownership with a share of federal ownership**

Measurement unit: **thousands of rubles**

	Codes
Form as per OKUD	0710004
Date (day/month/year)	31/12/2014
OKPO	94129941
INN	7728662669
OKVED	74.15.2
OKOPF/OKFS	12247/41
OKEI	384

Item	Code	January–December 2014	January–December 2013
<b>Cash flows from operating activities</b>			
Total proceeds	4110	8 061 238	6 518 632
including:			
from sale of products, goods, work, services	4111	6 451 985	5 769 580
<i>including from sale of products, goods, work, services to parent, subsidiary, and dependent companies</i>	411101	6 435 508	5 758 472
from lease payments, license payments, royalties, commission payments, and other similar payments	4112	-	-
from resale of financial investments	4113	-	-
other cash inflow	4119	1 609 253	749 052
<i>including other cash inflow from parent, subsidiary, and dependent companies</i>	411901	-	-
Total payments	4120	(4 728 482)	(4152 938)
including:			
payments to suppliers (contractors) for raw materials, supplies, work, services	4121	(1 435 090)	(1 661 720)
<i>including payments to parent, subsidiary, and dependent companies for raw materials, supplies, work, services</i>	412101	(353 123)	(266 842)
payroll expenses	4122	(2147 459)	(1 320 794)
interest on debt obligations	4123	-	-
profit tax	4124	(178 340)	(414 520)
other payments	4129	(967 593)	(755 904)
<i>including other payments to parent, subsidiary, and dependent companies</i>	412901	-	-
Net cash flows from operating activities	4100	3 332 756	2 365 694
<b>Cash flows from investing activities</b>			
Total proceeds	4210	15 266 636	52 967 700
including:			
from sale of fixed assets (excluding financial investments)	4211	2184	
<i>including from sale of fixed assets (excluding financial investments) to parent, subsidiary, and dependent companies</i>	421101	2 184	
from sale of shares (interests) in other entities	4212	-	180 839
<i>including from sale of shares (interests) in other entities to parent, subsidiary, and dependent companies</i>	421201		
from repayment of loans, from sale of debt securities (receivables from other entities)	4213	20 000	2 324 000
<i>including from repayment of loans, from sale of debt securities (receivables from other entities) of parent, subsidiary, and dependent companies</i>	421301	20 000	2 324 000
from dividends, interest on financial investments, and similar proceeds from shareholdings in other entities	4214		
<i>including from dividends, interest on financial investments, and similar proceeds from shareholdings in other entities from parent, subsidiary, and dependent companies</i>	421401		
repayment of fixed-term deposits of more than 3 months	4215	14 780 500	49 332 087
<i>including repayment of fixed-term deposits of more than 3 months from parent, subsidiary, and dependent companies</i>	421501		
other proceeds	4219	463 952	1 130 774

<i>including other proceeds from parent, subsidiary, and dependent companies</i>	421901	-	-
Total payments	4220	(18 944 528)	(52111 601)
including:			
in connection with acquisition, creation, modernization, rehabilitation, and preparation for use of noncurrent assets	4221	(69 125)	(27 404)
<i>including payments to parent, subsidiary, and dependent companies in connection with acquisition, creation, modernization, rehabilitation, and preparation for use of noncurrent assets</i>	422101	-	-
in connection with acquisition of shares (interests) in other entities	4222	(173 831)	(28 257 318)
<i>including payments to parent, subsidiary, and dependent companies in connection with acquisition of shares (interests) in other entities</i>	422201	(173 831)	(28 257 318)
in connection with acquisition of debt securities (receivables from other entities), loans extended to other entities	4223	(125 000)	-
<i>including payments to parent, subsidiary, and dependent companies in connection with acquisition of debt securities (receivables from other entities), loans extended to other entities</i>	422301	(125 000)	-
interest on debt obligations included in investment asset value	4224	-	-
placement of fixed-term deposits of more than 3 months	4225	(18 576 572)	(23 826 879)
<i>including at parent, subsidiary, and dependent companies</i>	422501	-	-
other payments	4229	-	-
<i>including other payments to parent, subsidiary, and dependent companies</i>	422901	-	-
Net cash flows from investing activities	4200	(3 677 892)	856 099
<b>Cash flows from financing activities</b>			
Total proceeds	4310	3 284	532 835
including:			
received loans and advances	4311	-	-
cash contributions from owners (members)	4312	-	-
from issue of shares, increase in shareholdings	4313	-	532 835
<i>including from issue of shares, increase in shareholdings from parent, subsidiary, and dependent companies</i>	431301	-	-
from issue of bonds, notes, other debt securities, etc.	4314	-	-
other proceeds	4319	3 284	-
Total payments	4320	(36)	(152 286)
including:			
to owners (members) in connection with shares (interests) purchased from them in entities or in connection with their withdrawal from members	4321	-	-
profit distribution to owners (members)	4322	(26)	(152 286)
<i>including for dividends or other payments for profit distribution to owners (members) to parent, subsidiary, and dependent companies</i>	432201	-	(365)
in connection with redemption (repurchase) of notes and other debt securities, repayment of loans and advances	4323	-	-
other payments	4323	(10)	-
Net cash flows from financing activities	4300	3 248	380 549
<b>Net cash flows for accounting period</b>	4400	(341 888)	3 602 342
<b>Balance of cash and cash equivalents at beginning of accounting period</b>	4450	6 981 543	3 379 176
<b>Balance of cash and cash equivalents at end of accounting period</b>	4500	6 639 683	6 981 543
Effect of changes in exchange rate between foreign currency and Russian ruble	4490	28	25
Cash documents	4491	769	-
Total cash and cash equivalents, including cash documents (item 1250 of the Balance Sheet)	4492	6 640 452	6 981 543

First Deputy Director General for  
Economic Affairs and Finance

(signature)

A. A. Dyomin  
(full name)

Director of the Accounting and Reporting  
Department and Chief Accountant

(signature)

V. V. Shchukin  
(full name)

March 27, 2015

## Notes to the Balance Sheet and the Statement of Financial Performance (in thousands of rubles)

### 1. Intangible assets

#### 1.1 Availability and Flow of Intangible Assets

Item			At Beginning of Year				Changes Within Period						At End of Period					
							Retirement			Revaluation								
Description	Code	Period	Historical/ current market value	accumulated depreciation	impairme nt losses	Residual value	Acquisitio n	Historical/ current market value	accumulat ed depreciati on	impair ment losses	Accrued Deprecia tion	Impairm ent Loss	Historical/ current market value	accumulat ed depreciati on	Historical/ current market value	accumul ated depreci ation	impairme nt losses	Residual value
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
Total intangible assets	5100	2014 (1)	2 257	(44)	-	2 213	17 763	-	-	-	(1 114)	-	-	-	20 020	(1 158)	-	18 862
	5110	2013 (2)	920	-	-	920	2 257	(920)	920	-	(964)	-	-	-	2 257	(44)	-	2 213
Intellectual property (exclusive rights to results of intellectual property)	5101	2014 (1)	657	(44)	-	613	17 763	-	-	-	(1 114)	-	-	-	18 420	(1 158)	-	17 262
	5111	2013 (2)	920			920	657	(920)	920		(964)				657	(44)		613
including:																		
patent holder rights to invention, industrial design, utility model	51011	2014 (1)	-	-	-	-									-	-	-	-
	51111	2013 (2)				-									-	-	-	-
right holder to computer software, databases	51012	2014 (1)	657	(44)	-	613	14 742				(1 114)				15 399	(1 158)	-	14 241
	51112	2013 (2)				-	657				(44)				657	(44)	-	613
right holder to topologies of integrated microcircuits	51013	2014 (1)	-	-	-	-									-	-	-	-
	51113	2013 (2)				-									-	-	-	-
owner to trademarks, service marks, name of origin of goods	51014	2014 (1)	-	-	-	-	3 021								3 021	-	-	3 021
	51114	2013 (2)	920			920		(920)	920		(920)				-	-	-	-
Business reputation of the Company	5102	2014 (1)	-	-	-	-									-	-	-	-
	5112	2013 (2)				-									-	-	-	-
Other	5103	2014 (1)	1 600	-	-	1 600									1 600	-	-	1 600
	5113	2013 (2)				-	1 600								1 600	-	-	1 600

## 2. Research and Development, Design, Technological Deliverables and Intangible Assets

### 2.1. Availability and Flow of R&D Deliverables

Description	Code	Period	At Beginning of Year		Changes Within Period			At End of Period	
			Historical Value	Cost Written off as Expenses	Acquisition	Retirement		Historical Value	Cost Written off as Expenses
						Historical Value	Cost Written off as Expenses		
1	2	3	4	5	6	7	8	10	11
<b>R&amp;S - Total</b>	5140	2014 (1)	-	-	-	-	-	-	-
	5150	2013 (2)	-	-	-	-	-	-	-
<b>including:</b>								-	
Spending on research and development, results of which are used for production purposes	5141	2014 (1)	-					-	-
	5151	2013 (2)						-	
Patentable R&D Deliverables	5142	2014 (1)	-	-				-	-
	5152	2013 (2)						-	-
Cost of R&D performed with own funds and resources	5143	2014 (1)	-	-				-	-
	5153	2013 (2)						-	-
Cost of R&D performed with contracted funds and resources	5144	2014 (1)	-	-				-	-
	5154	2013 (2)						-	-

2.2. Incomplete and Unformalized R&D and Incomplete Transactions of Intangible Asset Acquisition							
Item Description	Code	Period	At Beginning of Year	Changes Within Period			At End of Period
				costs within period	costs written off as ineffective	entered in books as intangible assets or R&D	
Total costs of incomplete R&D	5160	2014(1)	-	-	-	-	-
	5170	2013 (2)	-	-	-	-	-
including: R&D							
	5161	2014(1)	-	-	-	-	-
	5171	2013 (2)	-	-	-	-	-
Design	5162	2014(1)	-	-	-	-	-
	5172	2013 (2)	-	-	-	-	-
Technologies	5163	2014(1)	-	-	-	-	-
	5173	2013 (2)	-	-	-	-	-
Other	5164	2014(1)	-	-	-	-	-
	5174	2013 (2)	-	-	-	-	-
Total incomplete transactions of intangible asset acquisition	5180	2014(1)	2 894	38 713	-	(17 763)	23 844
	5190	2013 (2)		5 151	-	(2 257)	2 894
including:							
patent holder rights to invention, industrial design, utility model	5181	2014(1)	-				-
	5191	2013 (2)					-
right holder to computer software, databases	5182	2014(1)	-	38 586		(14 742)	23 844
	5192	2013 (2)					-
right holder to topologies of integrated microcircuits	5183	2014(1)	-				-
	5193	2013 (2)					-
owner to trademarks, service marks, name of origin of goods	5184	2014(1)	2 894	127		(3 021)	-
	5194	2013 (2)		2 894			2 894
Other	5185	2014(1)	-	-			-
	5195	2013 (2)		2 257		(2 257)	-

**3. Fixed Assets**  
**3.1 Fixed Assets Availability and Flow**

Item Description	Code	Period	At Beginning of Year			Changes Within Period							At End of Period		
			Historical Value	accumulated depreciation	Residual Value	Acquisition	accumulated depreciation on acquisitions	Retirement		Accrued Depreciation	Revaluation		Historical Value	accumulated depreciation	Residual Value
								Historical Value	accumulated depreciation		Historical Value	accumulated depreciation			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Total fixed assets (net of income-bearing investments in tangible assets)	5200	3a 2014 г.	135 378	(57 825)	77 553	25106	-	(25 085)	21 984	(18 587)	-	-	135 399	(54 428)	80 971
	5210	3a 2013 г.	106 693	(45 435)	61 258	33 711	-	(5 026)	4 897	(17 287)	-	-	135 378	(57 825)	77 553
including:															
Total depreciable fixed assets:	5201	3a 2014 г.	135 378	(57 825)	77 553	25106	-	(25 085)	21 984	(18 587)	-	-	135 399	(54 428)	80 971
	5211	3a 2013 г.	106 693	(45 435)	61 258	33 711	-	(5 026)	4 897	(17 287)	-	-	135 378	(57 825)	77 553
including:															
other	52016	3a 2014 г.	135 378	(57 825)	77 553	25106	-	(25 085)	21 984	(18 587)	-	-	135 399	(54 428)	80 971
	52116	3a 2013 г.	106 693	(45 435)	61 258	33 711	-	(5 026)	4 897	(17 287)	-	-	135 378	(57 825)	77 553
buildings for purposes other than production	52017	3a 2014 г.	-	-	-	-	-	-	-	-	-	-	-	-	-
	52117	3a 2013 г.	-	-	-	-	-	-	-	-	-	-	-	-	-
Assets with indefinite useful lives, not subject to amortization, total	5202	3a 2014 г.	-	-	-	-	-	-	-	-	-	-	-	-	-
	5212	3a 2013 г.	-	-	-	-	-	-	-	-	-	-	-	-	-
В том числе.															
Total fixed assets accounted for as part of income-bearing investments in tangible assets	5220	3a 2014 г.	5 069	(832)	4 237	-	-	-	-	(153)	-	-	5 069	(985)	4 084
	5230	3a 2013 г.	5 069	(678)	4 391	-	-	-	-	(154)	-	-	5 069	(832)	4 237
including					-										
assets transferred under lease	5222	3a 2014 г.	5 069	(832)	4 237	-	-	-	-	(153)	-	-	5 069	(985)	4 084
	5232	3a 2013 г.	5 069	(678)	4 391	-	-	-	-	(154)	-	-	5 069	(832)	4 237

<b>3.2. Changes in Value of Fixes Assets Due to Additional Construction, Additional Equipment, Rehabilitation, and Partial Disposal</b>				
Item Description	Code	2013	2012	
1	2	3	4	
Total increased value of fixed assets due to additional construction, additional equipment, rehabilitation:	5260		5260	
including:		3 932		
Other	5266	3 932	5266	
Total decreased value of fixed assets due to partial disposal:			5270	
including:				
other	5270			

<b>3.3. Other Use of Fixed Assets</b>				
Item Description	Code	December 31, 2013	December 31, 2012	December 31, 2011
1	2	3	4	5
Fixed assets transferred under lease and accounted for on balance sheet	5280	0	4 237	4 391
Fixed assets transferred under lease and accounted for off balance sheet	5281	0	0	0
Fixed assets taken under lease and accounted for on balance sheet	5282	0	0	0
Fixed assets taken under lease and accounted for off balance sheet	5283	1 490 546	0	30 757
Real property items accepted for operation and actually used, in process of state registration	5284	0	0	0
Mothballed fixed assets	5285	0	0	0
Other use of fixed assets (collateral, etc.)	5286	0	0	0

**3.4 Capital Investments in Progress**

Item Description	Code	Period	At Beginning of Year	Changes Within Period			At End of Period
				Expenses within the Period	Written off/Retired	Recorded for accounting as fixed asses or value increasedувеличена стоимость	
1	2	3	4	5	6	7	8
Total construction in progress and pending transactions for the purchase, modernization etc. fixed assets	5240	20 14 (1)	494	62 456	(163)	(25106)	37 681
	5250	20 13 (2)	3 459126	16150	(3 441 071)	(33 711)	494
including:							
Production purposes	5241	20 14 (1)	494	62 456	(163)	(25 106)	37 681
	5251	20 13 (2)	3 422 456	16 150	(3 404 401)	(33 711)	494
construction in progress	52411	20 14 (1)	-				-
	52511	20 13 (2)	3 404 401	-	(3 404 401)		-
fixed assets acquisition	52412	20 14 (1)	494	62 456	(163)	(25106)	37 681
	52512	20 13 (2)	18 055	16150	-	(33 711)	494
equipment for installation	52413	20 14 (1)	-				-
	52513	20 13 (2)					-
other	52414	20 14 (1)	-				-
	52514	20 13 (2)					-
Non-production purposes	5242	20 14 (1)	-	-	-	-	-
	5252	20 13 (2)	36 670	-	(36 670)	-	-
construction in progress	52421	20 14 (1)	-	-			-
	52521	20 13 (2)	36 670	-	(36 670)		-
fixed assets acquisition	52422	20 14 (1)	-				-
	52522	20 13 (2)					-
equipment for installation	52423	20 14 (1)					
	52523	20 13 (2)					
other	52424	20 14 (1)	-				-
	52524	20 13 (2)					-

#### 4. Financial Investments

##### 4.1. Availability and Flow of Financial Investments

Item Description	Code	Period	At Beginning of Year		Changes Within Period			At End of Period		For Reference: Accrued Interest, Dividends	
			undepreciated value	accumulated adjustment	Acquisition	Retirement (Discharge)		Current Market Value (Impairment Losses)	undepreciated value		accumulated adjustment
						undepreciated value	accumulated adjustment				
1	2	3	4	5	6	7	8	10	11	12	13
Total long-term financial investments	5301	20 14 (1)	563 032 745	(383 329 974)	298 831	(125 000)	-	(55 429 160)	563 206 576	(438 759134)	3 071 309
	5311	20 13 (2)	247 964 419	(132 565 254)	321 648 176	(6 579 850)	-	(250 764 720)	563 032 745	(383 329 974)	3 697 372
Total contributions to authorized (share) capital of other companies:	53021	20 14 (1)	562 992 422	(383 289 651)	173 831	-	-	(55 429 160)	563166 253	(438 718 811)	3 064 127
	53121	20 13 (2)	241 344 956	(132 524 931)	321 648 176	(710)	-	(250 764 720)	562 992 422	(383 289 651)	3 646 331
Including:											
subsidiaries	530211	20 14 (1)	562 271 620	(382 645 059)	173 831			(55 438 691)	562 445 451	(438 083 750)	3 063 532
	531211	20 13 (2)	240 623 444	(131 871 147)	321 648 176			(250 773 912)	562 271 620	(382 645 059)	3 640 280
dependent companies	530212	20 14 (1)	621 407	(614 055)					621 407	(614 055)	595
	531212	20 13 (2)	622117	(614 055)		(710)			621 407	(614 055)	6 051
Other	530213	20 14 (1)	99 395	(30 537)				9 531	99 395	(21 006)	.
	531213	20 13 (2)	99 395	(39 729)				9192	99 395	(30 537)	.
Securities of other entities, total:	53023	20 14 (1)	-	-					-	-	
	53123	20 13 (2)	2 500 000			(2 500 000)			-	-	
including:											
debt securities (bonds, bills)	530231	20 14 (1)	-	-					-	-	
	531231	20 13 (2)	2 500 000			(2 500 000)			-	-	-
Loans provided	53024	20 14 (1)	-	-	125 000	(125 000)			-	-	7182
	53124	20 13 (2)	2 300 000			(2 300 000)			-	-	51 041
Other	53026	20 14 (1)	40 323	(40 323)					40 323	(40 323)	
	53126	20 13 (2)	1 819 463	(40 323)		(1 779 140)			40 323	(40 323)	
including:											
	530261	20 14 (1)	40 323	(40 323)					40 323	(40 323)	
	531261	20 13 (2)	40 323	(40 323)					40 323	(40 323)	
Total long-term financial investments with current market value:	5302	20 14 (1)	557 129 402	(382 323 742)	173 831	-	-	(55 438 691)	557 303 233	(437 762 433)	2 500 306
	5312	20 13 (2)	239 208 380	(131 549 779)	317 921 022	-	-	(250 773 963)	557129 402	(382 323 742)	3 523 592
Total contributions to authorized (share) capital of other companies:	53031	20 14 (1)	557129 402	(382 323 742)	173 831	-	-	(55 438 691)	557 303 233	(437 762 433)	2 500 306
	53131	20 13 (2)	239 208 380	(131 549 779)	317 921 022	-	-	(250 773 963)	557129 402	(382 323 742)	3 523 592
including:											
to subsidiaries	530311	20 14 (1)	557129 402	(382 323 742)	173 831			(55 438 691)	557 303 233	(437 762 433)	2 500 306
	531311	20 13 (2)	239 208 380	(131 549 779)	317 921 022			(250 773 963)	557129 402	(382 323 742)	3 523 592
Total long-term financial investments whose current market value can not be quantified:	5303	20 14 (1)	5 903 343	(1 006 232)				9 531	5 903 343	(996 701)	563 821
	5313	20 13 (2)	8 756 039	(1 015 475)	3 727154	(6 579 850)		9 243	5 903 343	(1 006 232)	471 177
<b>Total short-term financial investments</b>	5305	20 14 (1)	8 241 874	(2 500 000)	18 701 573	(14 780 500)	-	-	12 162 947	(2 500 000)	541 925
	5315	20 13 (2)	31 247 082	-	28 626 879	(51 632 087)	-	(2 500 000)	8 241 874	(2 500 000)	1 073 162
Securities of other entities, total:	53063	20 14 (1)	2 500 000	(2 500 000)					2 500 000	(2 500 000)	-
	53163	20 13 (2)			2 500 000			(2 500 000)	2 500 000	(2 500 000)	-
including:											
debt securities (bonds, bills)	530631	20 14 (1)	2 500 000	(2 500 000)					2 500 000	(2 500 000)	-
	531631	20 13 (2)			2 500 000			(2 500 000)	2 500 000	(2 500 000)	-
Loans provided	53064	20 14 (1)	-	-	125 000				125 000	-	955

**4. Financial Investments**

**4.1. Availability and Flow of Financial Investments**

Item Description	Code	Period	At Beginning of Year		Changes Within Period			At End of Period		For Reference: Accrued Interest, Dividends	
			undepreciated value	accumulated adjustment	Acquisition	Retirement (Discharge)		Current Market Value (Impairment Losses)	undepreciated value		accumulated adjustment
						undepreciated value	accumulated adjustment				
1	2	3	4	5	6	7	8	10	11	12	13
	53164	20 13 (2)			2 300 000	(2 300 000)			-	-	57 847
Deposits	53065	20 14 (1)	5 741 874	-	18 576 573	(14 780 500)			9 537 947	-	540 970
	53165	20 13 (2)	31 247 082		23 826 879	(49 332 087)			5 741 874	-	1 015 315
Total short-term financial investments with current market value:	5306	20 14 (1)	-		-	-	-		-	-	
	5316	20 13 (2)			-	-		-	-	-	
Total short-term financial investments whose current market value can not be quantified:	5307	20 14 (1)	8 241 874	(2 500 000)	18 701 573	(14 780 500)			12 162 947	(2 500 000)	541 925
	5317	20 13 (2)	31 247 082		28 626 879	(51 632 087)		(2 500 000)	8 241 874	(2 500 000)	1 073 162
<b>Total financial investments</b>	5300	20 14 (1)	571 274 619	(385 829 974)	19 000 404	(14 905 500)	-	(55 429 160)	575 369 523	(441 259 134)	3 613 234
	5310	20 13 (2)	279 211 501	(132 565 254)	350 275 055	(58 211 937)	-	(253 264 720)	571 274 619	(385 829 974)	4 770 534

**5. Inventory**

**5.1. Availability and Flow of Inventory**

Item Description	Code	Period	At Beginning of Year		Acquisition and Expense	Changes Within Period				At End of Period	
			cost value	reserve for impairment		Retirement		Impairment Losses	Inventory Turnover Among Groups (Types)	cost value	reserve for impairment
						cost value	reserve for impairment				
1	2	3	4	5	6	7	8	9	10	11	12
Total inventory	5400	20 14 (1)	18 026	-	148 212	(149 900)	-	-	X	16 338	-
	5420	20 13 (2)	6 326	-	46 767	(35 067)	-	-	X	18 026	-
Raw materials, supplies	5401	20 14 (1)	18 026	-	42 466	(44 154)				16 338	-
	5421	20 13 (2)	6 326	-	46 767	(35 067)				18 026	-
Production in progress	5402	20 14 (1)	-	-						-	-
	5422	20 13 (2)								-	-
Products shipped	5403	20 14 (1)	-	-						-	-
	5423	20 13 (2)								-	-
Finished products and goods	5404	20 14 (1)	-	-	105 746	(105 746)				-	-
	5424	20 13 (2)								-	-
Other inventory and costs	5405	20 14 (1)	-	-						-	-
	5425	20 13 (2)								-	-

**6 Accounts Receivable and Accounts Payable 6.1. Availability and Flow of Accounts Receivable**

Item Description	Code	Period	At Beginning of Year		Changes Within Period								At End of Period	
			accounted for under contract terms	reserve for doubtful debts	Acquisition			discharge	written off due to previous provision	written off as financial result	recovered reserve	long-term receivables reclassified as short-term receivables	accounted for under contract terms	reserve for doubtful debts
					resulting from business transactions	interest, penalties, and other amounts receivable	provision changed							
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Total long-term accounts receivable	5501	20 14 (1)	-	-	-	-	(214 170)	-	-	-	-	1 773 205	1 773 205	(214170)
	5521	20 13 (2)	858 299	-	297 397	-	-	-	-	-	-	(1 155 696)	-	-
including:														
Other accounts receivable	5505	20 14 (1)	-	-	-	-	(214 170)	-	-	-	-	1 773 205	1 773 205	(214 170)
	5525	20 13 (2)	858 299	-	297 397	-	-	-	-	-	-	(1 155 696)	-	-
including:														
non-interest-bearing notes	55051	20 14 (1)	-	-	-	-	(214 170)	-	-	-	-	1 773 205	1 773 205	(214 170)
	55251	20 13 (2)	42 683	-	-	-	-	-	-	-	-	(42 683)	-	-
other	55052	20 14 (1)	-	-	-	-	-	-	-	-	-	-	-	-
	55252	20 13 (2)	815 616	-	297 397	-	-	-	-	-	-	(1 113 013)	-	-
Total short-term accounts receivable	5510	20 14 (1)	5 021 389	(1 889 152)	780 962	-	(9 914)	(832 870)	-	-	214 170	(1 773 205)	3196 276	(1 684 896)
	5530	20 13 (2)	3 236 425	(161 335)	1 249 686	-	(1 727 817)	(620 418)	-	-	-	1 155 696	5 021 389	(1 889 152)
including:														
Trade receivables	5511	20 14 (1)	921 401	(373 031)	289 858	-	-	(548 371)	-	-	-	-	662 888	(373 031)
	5531	20 13 (2)	413 925	-	683 673	-	(373 031)	(176 197)	-	-	-	-	921 401	(373 031)
including:														
<i>United Power System of Russia functioning organization and development in Russia as referred to EDEG</i>	55113	20 14 0	542 754	-	269 857	-	-	(542 754)	-	-	-	-	269 857	-
	55313	20 13 (2)	172 874	-	542 754	-	-	(172 874)	-	-	-	-	542 754	-
Revenue from lease	55115	20 14 (1)	376 307	(373 031)	22	-	-	(3 277)	-	-	-	-	373 052	(373 031)
	55315	20 13 (2)	241 051	-	138 579	-	(373031)	(3 323)	-	-	-	-	376 307	(373 031)
other	55116	20 14 (1)	2 340	-	19 979	-	-	(2 340)	-	-	-	-	19 979	-
	55316	20 13 (2)	-	-	2 340	-	-	-	-	-	-	-	2 340	-
Prepayments provided	5512	20 14 (1)	309 694	-	83 791	-	(4 400)	(7 278)	-	-	-	-	386 207	(4 400)
	5532	20 13 (2)	47 773	-	261 921	-	-	-	-	-	-	-	309 694	-
Dividends due from subsidiaries and affiliates	5515	20 14 (1)	21 035	-	-	-	(5 514)	(2 500)	-	-	-	-	18 535	(5 514)
	5535	20 13 (2)	13 066	-	7 969	-	-	-	-	-	-	-	21 035	-
Other accounts receivable	5516	20 14 (1)	3 769 259	(1 516121)	407 313	-	-	(274 721)	-	-	214 170	(1 773 205)	2 128 646	(1 301 951)
	5536	20 13 (2)	2 761 661	(161 335)	296 123	-	(1 354 786)	(444 221)	-	-	-	1 155 696	3 769 259	(1 516 121)
including:														
non-interest-bearing notes	55161	20 14 (1)	2 198 788	(214 170)	-	-	-	(20 000)	-	-	214 170	(1 773 205)	405 583	-
	55361	20 13 (2)	2 180 105	-	-	-	(214 170)	(24 000)	-	-	-	42 683	2198 788	(214 170)
Taxes and duties overpaid	55162	20 14 (1)	98 686	-	4 475	-	-	(98 686)	-	-	-	-	4 475	-
	55362	20 13 (2)	210 442	-	98 686	-	-	(210 442)	-	-	-	-	98 686	-
Other	55164	20 14 (1)	1 471 785	(1 301 951)	402 838	-	-	(156 035)	-	-	-	-	1 718 588	(1 301 951)
	55364	20 13 (2)	371 114	(161 335)	197 437	-	(1 140 616)	(209 779)	-	-	-	1 113013	1 471 785	(1 301 951)
Total	5500	20 14 (1)	5 021 389	(1 889 152)	780 962	-	(224 084)	(832 870)	-	-	214 170	-	4 969 481	(1 899 066)
	5520	20 13 (2)	4 094 724	(161 335)	1 547 083	-	(1 727 817)	(620 418)	-	-	-	-	5 021 389	(1 889 152)

**6.2. Bad Debt provision  
for 2-14**

Item		At beginning of year	Changes Within Period		At End of Period
Description	Code		Provision Created	Provision Written off	
1	2	3	4	5	6
Trade settlements	7310	373 031	5 514	-	378 545
including:					
lease revenues	7315	373 031			373 031
other	7316		5 514		5 514
Prepayments provided	7330		4 400		4 400
Other accounts receivable	7320	1 516 121			1 516 121
<b>Total</b>	<b>7300</b>	<b>1 889 152</b>	<b>9 914</b>	<b>-</b>	<b>1 899 066</b>

**6.3. Overdue Accounts Receivable**

Item Description	Code	December 31, 2014		December 31, 2013		December 31, 2012	
		accounted for under contract terms	book value (less bad debt provision)	accounted for under contract terms	book value (less bad debt provision)	accounted for under contract terms	book value (less bad debt provision)
Total	5540	2 092 061	2 092 061	1 963 069	1 963 069	17 939	17 939
including:	5541	125 035	125 035	24 725	24 725	13 066	13 066
trade receivables, including							
<i>United Power System of Russia functioning organization and development in Russia as referred to EDFG</i>	55413	104 273	104 273	1 505	1 505		
<i>lease revenues</i>	55415			2 185	2 185		

<i>dividends payable</i>	55417	13 021	13 021	21 035	21 035	13 066	13 066
<i>other</i>	55416	7 741	7 741				
Other accounts receivable	5542	1 967 026	1 967 026	1 938 344	1 938 344	4 873	4 873
including property sales settlements	55421						

6.4. Availability and Flow of Accounts Payable										
Item Description	Code	Period	Balance at Beginning of Year	Changes Within Period					Balance at End of Period	
				Acquisition		Retirement				
				resulting from business transactions (amount payable from deal, transaction)	interest, penalties, and other amounts payable	discharge	written off as financial result	long-term payables reclassified as short-term payables		
1	2	3	4	5	6	7	8	9	10	
<b>Total long-term accounts payable</b>	5551	20 14 (1)	-	-	-	-	-	-	-	-
	5571	20 13 (2)	-	-	-	-	-	-	-	-
<b>Total short-term accounts payable</b>	5560	20 14 (1)	432 776	492 677	-	(410 427)	-	-	-	515 026
	5580	20 13 (2)	19 965 865	375 516	-	(19 908 605)	-	-	-	432 776
including:										
Trade accounts payable	5561	20 14 (1)	109 408	207 786	-	(106 809)	-	-	-	210 385
	5581	20 13 (2)	59 290	107 048	-	(56 930)	-	-	-	109 408
including										
other	55612	20 14 (1)	109 408	207 786	-	(106 809)	-	-	-	210 385
	55812	20 13 (2)	59 290	107 048	-	(56 930)	-	-	-	109 408
advance payments received	5562	20 14 (1)	-	2	-	-	-	-	-	2
	5582	20 13 (2)	-	-	-	-	-	-	-	-
Including:										
lease services	55626	20 14 (1)	-	2	-	-	-	-	-	2
	55826	20 13 (2)	-	-	-	-	-	-	-	-
Incomes due to members (founders)	5563	20 14 (1)	15 651	-	-	(3 817)	-	-	-	11 834
	5583	20 13 (2)	9 471	6 538	-	(358)	-	-	-	15 651
Payments overdue to state off budget funds	5565	20 14 (1)	18 427	25 742	-	(18 427)	-	-	-	25 742
	5585	20 13 (2)	-	18 427	-	-	-	-	-	18 427
Taxes and duties	5566	20 14 (1)	132 610	115 969	-	(132 610)	-	-	-	115 969
	5586	20 13 (2)	44 119	132 610	-	(44 119)	-	-	-	132 610
Payroll overdue	5567	20 14 (1)	43 511	35 978	-	(43 511)	-	-	-	35 978
	5587	20 13 (2)	150	43 511	-	(150)	-	-	-	43 511
Contributions overdue to the authorized capital	5568	20 14 (1)	-	-	-	-	-	-	-	-
	5588	20 13 (2)	19 751 090	-	-	(19 751 090)	-	-	-	-
Other accounts payable overdue		20 14 (1)	113 169	107 200	-	(105 253)	-	-	-	115 116
		20 13 (2)	101 745	67 382	-	(55 958)	-	-	-	113169
Total accounts payable overdue	5569	20 14 (1)	27 201	24 958	-	(27 201)	-	-	-	24 958
	5589	20 13 (2)	6 809	27 200	-	(6 808)	-	-	-	27 201
Payments overdue to subsidiaries	55691	20 14 (1)	27 200	24 958	-	(27 200)	-	-	-	24 958
	55891	20 13 (2)	6 808	27 200	-	(6 808)	-	-	-	27 200
Payments overdue to dependent companies	55692	20 14 (1)	1	-	-	(1)	-	-	-	-
	55892	20 13 (2)	1	-	-	-	-	-	-	1
<b>Total:</b>	5550	20 14 (1)	432 776	492 677	-	(410 427)	-	-	-	515 026
	5570	20 13 (2)	19 965 865	375 516	-	(19 908 605)	-	-	-	432 776

<b>6.5. Overdue Accounts Payable</b>				
Item Description	Code	December 31, 2014	December 31, 2013	December 31, 2012
1	2	3	4	5
Total	5590	11 235	10 276	10 276
including:	5591	3 319	2 360	2 360
trade accounts payables				
including:				
<i>construction</i>	55911			
<i>other</i>	55912	3 319	2 360	2 360
Incomes due to members (founders)	5592			
Payments overdue to state off budget funds	5593			
Taxes and duties	5594			
Payroll overdue	5595			
Other accounts payable	5596	7 916	7 916	7 916

<b>7. Contingent Assets and Liabilities</b>						
<b>7.1 Estimated Liabilities</b>						
Item Description	Code	Balance at Beginning of Year	Recognized	Discharged	Written off as Excessive Amount	Balance at End of Period
1	2	3	4	5	6	7
Total estimated liabilities	5700	376 561	413 353	(565185)		224 729
including:	5701	46 307	254122	(190 893)		109 536
reserves for reserves for vacation pay						
year performance bonuses	5702	330 254	54 146	(374 292)		10 108
Fixed assets repairs	5703					
Seasonal works payments	5704					
warranty commitments and claims	5705					-
liquidation liabilities	5706					
litigations pending as at the reporting date	5707					
claims of tax agencies resulting from tax inspections, pending as at the reporting date	5708					
other contingent liabilities	5709					
<b>Out of the total amount of contingent liabilities:</b>			105 085			105 085
Created by regular activities expenses:	5710	413 353				
Created by other expenses	5720					
Included in the asset value	5730					

### 7.1. Deferred Taxes

Item Description	Code	Time difference for deduction	Deferred tax assets	Time difference subject to taxes	Deferred tax liabilities
1	2	3	4	5	6
Balance as at the beginning of the reporting year	7700	380 542	76 108	31 275	6 254
Profit	7710	1 238 783	247 757	11 703	2 341
Loss	7720	(413 776)	(82 755)	(10 648)	(2 130)
Result of tax rates change	7730	X		X	
Result of correction of previous year errors	7740				
Permanent difference in the value of assets and liabilities	7750				
Writing off without tax implications	7760				
Balance as at the beginning of the reporting period	7800	1 205 549	241 110	32 330	6 465

## 8. Security

Item		As at December	As at December	As at December
Description	Code	2014	2013	2012
1	2	3	4	5
Total received	5800	<b>2 500 000</b>	<b>2 500 000</b>	<b>2 500 000</b>
including: bills	5801			
pledged property	5802			
including:	58021			
fixed assets items				
securities and other financial investments	58022			
other	58023			
other received items	5803	<b>2 500 000</b>	<b>2 500 000</b>	<b>2 500 000</b>
Provided under own commitments, total:	5810			
including: bills	5811			
pledged property	5812			
including:	58121			
fixed assets items				
securities and other financial investments	58122			
other	58123			
other provided items	5813			

**9. Statement of the values accounted for with off-balance accounts**

item	Code	As at December 2014	As at December 2013	As at December 2012
1	2	3	4	5
Leased fixed assets	8200	1 490 546		30 757
including: leased	82001			
Inventories accepted for safe keeping	8201		2 109	2 109
Materials accepted for processing	8202			
Goods accepted for commission	8203			
Equipment accepted for installation	8204			
Written-off debts of insolvent debtors	8205	197 543	197 543	197 543
Depreciation of land improvement objects and other similar objects	8206			
Strict accounting forms	8207			
Property located in the federal property	8208			
Intangible assets received for use	8209	91 323	74 892	44 291
The property transferred to the authorized capital as payment for shares to be acquired	8210			
Security, commitments received	8211	2 500 000	2 500 000	2 500 000

### 10. State Assistance

Item Description	Code	2014				2013			
1	2	3				4			
Total funds received from the budget	5900	975 048				-			
including:									
current expenses	5901								
allowances to Chernobyl survivors	5902								
performance of mobilization preparation tasks	5903								
elimination of inter-territorial cross-subsidies	5904								
investments in non-current assets	5905								
other purposes	5906	975 048				-			
Item Description	Code	As at year beginning	Received within the year	Returned within the year	As at year end	As at year beginning	Received within the year	Returned within the year	As at year end
Total budget loans	5910	-		-	-	-		-	-
including:									
funding for preventive measures to reduce workplace injuries and professional. diseases	5911				-				-
financing of in-depth medical examinations of workers engaged in work with harmful and (or) dangerous production factors	5912				-				-
other	5913				-				-

**11. Shares Held by the Company in Authorized Capitals as at December 31, 2014**

**11.1. Subsidiaries**

<b>Item</b>	<b>Subsidiary Name</b>	<b>Share in Authorized Capital</b>	<b>Location</b>	<b>Activity Type</b>
1	Yantarenergo Joint-Stock Company for Energy and Electrification (JSC Yantarenergo)	100.00%	236000, Kaliningrad, ul. Teatralnaya, d. 34	electricity distribution services
2	Joint Stock Company Tyumenenergo (JSC Tyumenenergo)	100.00%	628412, Khanty-Mansijsk Autonomous District – Yugra, Tyumen Region, Surgut, ul. Universitetskaya, d. 4	electricity distribution
3	Joint-Stock Company Karachaevo-Cherkesskenergo (JSC Karachaevo-Cherkesskenergo)	100.00%	369000, Karachay-Cherkess Republic, Cherkessk, ul. Osmana Kasayeva, d. 3	electricity and heat delivery (sale)
4	Kalmenergosbyt Open Joint-Stock Company (OAO Kalmenergosbyt)	100.00%	358000, Republic of Kalmykia, Elista, ul. Lermontova, d. 7a	electricity and heat delivery (sale)
5	Tyvaenergosbyt Open Joint-Stock Company (OAO Tyvaenergosbyt)	100.00%	667010, Republic of Tyva, Kyzyl, ul. Zavodskaya, d. 2a	electricity purchase and sale
6	Opened Joint Stock Company Power Grid Optical Networks Engineering (JSC Power Grid Optical Networks Engineering)	100.00%	115184, Moscow, ul. Bolshaya Tatarskaya, d. 35, str. 6	creating conditions for the reliable and efficient functioning and development of electric grid facilities by means of the construction, rehabilitation, and technical operation of fiber-optic communication lines on overhead power lines and other facilities; development of standards, guidelines, and technical requirements for organizing the design, construction, operation, rehabilitation, and technical upgrading of fiber-optic communication lines
7	Joint-Stock Company Research Engineering Centre of IDGC (JSC REC IDGC)	100.00%	105062, Moscow, ul. Chaplygina, d. 6	research and services in the power industry's economics and management
8	Joint-Stock Company Association VNIPIENERGOPROM (JSC VNIPIENERGOPROM)	100.00%	105094, Moscow, Semyonovskaya nab., d. 2/1	R&D
9	Special Design Bureau of Heat Power Engineering Equipment VTI Open Joint-Stock Company (OAO SKB VTI)	100.00%	115280, Moscow, 3 Avtozavodsky pr-d, d. 4, korp. 1	design work in the power industry and other economic sectors
10	VNIPIENERGOPROM Real Estate Open Joint-Stock Company (OAO VNIPIENERGOPROM Real Estate)	100.00%	105094, Moscow, Semyonovskaya nab., d. 2/1	real property lease
11	Engineering Center UPS Real Estate Open Joint-Stock Company (OAO Engineering Center UPS Real Estate)	100.00%	125993, Moscow, Volokolamskoye shosse, d. 2	real property lease
12	North-West Power Engineering Center Real Estate Open Joint-Stock Company (OAO North-West Power Engineering Center Real Estate)	100.00%	191036, Saint Petersburg, Nevsky pr-t, d. 111/3	real property lease

13	Volga Power Engineering Center Real Estate Open Joint-Stock Company (OAO Volga Power Engineering Center Real Estate)	100.00%	443001, Samara, ul. Samarskaya, d. 203B	real property lease
14	South Center of Power Engineering Real Estate Open Joint-Stock Company (OAO South Center of Power Engineering Real Estate)	100.00%	344002, Rostov-on-Don, pr-t Budennovskiy, d. 2, k. 105	real property lease
15	Urals Power Engineering Company Real Estate Open Joint-Stock Company (OAO Urals Power Engineering Company Real Estate)	100.00%	620075, Yekaterinburg, ul. Pervomaiskaya, d. 56	real property lease
16	Siberian Energy Scientific and Technical Center Real Estate Open Joint-Stock Company (OAO Siberian Energy Scientific and Technical Center Real Estate)	100.00%	630132, Novosibirsk, pr-t Dimitrova, d. 7	real property lease
17	Interregional Distribution Grid Company of Volga, Joint-Stock Company (IDGC of Volga, JSC)	67.63%	410031, Saratov, ul. Pervomaiskaya, d. 42/44	electricity distribution services
18	Kabardino-Balkaria Energy and Electrification Company, Joint-Stock Company (Kabbalkenergo, JSC)	65.27%	360000, Kabardino-Balkarian Republic, Nalchik, ul. Shchorsa, d. 6	electricity and heat delivery (sale)
19	Interregional Distribution Grid Company of Northern Caucasus, Joint-Stock Company (IDGC of Northern Caucasus, JSC)	92.00%	357506, Stavropol Territory, Pyatigorsk, village of Energetik, ul. Podstantsionnaya, d. 18	electricity distribution services
20	Interregional Distribution Grid Company of North-West, Joint Stock Company (IDGC of North-West)	55.38%	188300, Leningrad Region, Gatchina, ul. Sobornaya, d. 31	electricity distribution services
21	Interregional Distribution Grid Company of Siberia, Joint Stock Company (IDGC of Siberia, JSC)	55.59%	660021, Krasnoyarsk, ul. Bograda, 144a	electricity distribution services
22	Joint-Stock Company Tomsk Distribution Company (JSC TDC)	85.77%	634041, Tomsk, prospekt Kirova, d. 36	electricity distribution services
23	Interregional Distribution Grid Company of South, Joint Stock Company (IDGC of South, JSC)	51.66%	344002, Rostov-on-Don, ul. Bolshaya Sadovaya, d. 49	electricity distribution services
24	Interregional Distribution Grid Company of Urals, Joint Stock Company (IDGC of Urals, JSC)	51.52%	620026, Yekaterinburg, ul. Mamina-Sibiriyaka, d. 140	electricity distribution services
25	Dagestan Energy Supply Company, Joint-Stock Company (Dagestan Energy Supply Company, JSC)	51.00%	367020, Republic of Dagestan, Makhachkala, ul. Dakhadaeva, d. 73	electricity purchase and sale
26	Chechenenergo, Joint-Stock Company (Chechenenergo, JSC)	51.00%	364051, Chechen Republic, Grozny, Staropromyslovskoye shosse, d. 6	electricity distribution
27	Joint-Stock Company Moscow United Electric Grid Company (JSC MOESK)	50.90%	115114, Moscow, 2-y Paveletsky proezd, d. 3, str. 2	electricity distribution services
28	Interregional Distribution Grid Company of Center and Volga Region, Joint Stock Company (IDGC of Center and Volga Region, JSC)	50.40%	603950, Nizhni Novgorod, ul. Rozhdestvenskaya, d. 33	electricity distribution services
29	Interregional Distribution Grid Company of Centre, Joint-Stock Company (IDGC of Centre, JSC)	50.23%	127018, Moscow, 2-ya Yamskaya ul., d. 4	electricity distribution services
30	JOINT-STOCK COMPANY LENENERGO (JSC LENENERGO)	49.36%*	196247, Saint Petersburg, ploshchad Konstitutsii, d. 1	electricity distribution services

31	Open Joint-Stock Company Federal Grid Company of Unified Energy System (JSC FGC UES)	80.60%*	117630, Moscow, ul. Akademika Chelomeya, d. 5A	electricity transmission services
32	Kuban Power and Electrification Open Joint Stock Company (Kubanenergo)	63.01%	350033, Krasnodar, ul. Stavropolskaya, d. 2	electricity distribution

**11.2 Shares Held by the Company in Dependent Companies' Authorized Capital**

<b>Item</b>	<b>Dependent Company Name</b>	<b>Share in Authorized Capital</b>	<b>Location</b>	<b>Activity Type</b>
1	Ingushenergo, Joint-Stock Company (Ingushenergo, JSC)	49.00%	366720, Republic of Ingushetia, Nazran, ul. Mutaliev, d. 23	electricity and heat delivery (sale)
2	Sevkavkazenergo Energy and Electrification Company, Joint-Stock Company (Sevkavkazenergo, JSC)	49.00%	362040, Republic of North Ossetia-Alania, Vladikavkaz, ul. Tamaeva, d. 19	electricity and heat delivery (sale)
3	Grozenergo Open Joint-Stock Company for Energy and Electrification of the Chechen Republic (AO Grozenergo)	49.00%	364000, Chechen Republic, Grozny, Staropromyslovskoye shosse, d. 6	idle company
4	Joint-Stock Company G. M. Krzhizhanovsky Power Engineering Institute (JSC ENIN)	31.34%	119991, Moscow, Leninsky prospekt, d. 19	R&D and design in the electric power industry
5	Urals Power Engineering Company Joint-Stock Company – URALVNIPIENERGOPROM, Uralsenergo, UralTEP, UralORGRES, UralVTI, Uralenergoproekt, Chelyabenergoproekt (Urals Power Engineering Company)	25.00%	620075, Yekaterinburg, ul. Pervomaiskaya, d. 56	construction, technical upgrading, and rehabilitation of power facilities
6	Joint-Stock Company Volga Power Engineering Center (JSC VPEC)	25.00%	443001, Samara, ul. Samarskaya, d. 203B	technical upgrading, rehabilitation, and construction of electric power facilities; comprehensive engineering services
7	Joint Stock Company North-West Power Engineering Center (OAO SevZap NTC)	25.00%	191036, Saint Petersburg, Nevsky prospekt, d. 111/3	R&D, design, and engineering support for the Russian power industry
8	JOINT STOCK COMPANY NORTH-WEST ENERGY MANAGING COMPANY (JSC NWEMC)	49.00%	191186, Saint Petersburg, Marsovo pole, d. 1	real property lease
9	Joint Stock Company NURENERGO (NURENERGO, JSC)	23.00%	364020, Chechen Republic, Grozny, Staropromyslovskoye shosse, d. 6	electricity distribution services



**Appendix 6**

**Consolidated financial statements  
Joint Stock Company Russian Grids and its subsidiaries  
for the year ended 31 December 2014**

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Ernst & Young LLC  
Sadovnicheskaya Nab., 77, bld. 1  
Moscow, 115035, Russia  
Tel: +7 (495) 705 9700  
+7 (495) 755 9700  
Факс: +7 (495) 755 9701  
www.ey.com/ru

ООО «Эрнст энд Янг»  
Россия, 115035, Москва  
Садовническая наб., 77, стр. 1  
Тел.: +7 (495) 705 9700  
+7 (495) 755 9700  
Факс: +7 (495) 755 9701  
ОКПО: 59002827

## Independent auditor's report

To the Shareholders and Board of Directors of  
JSC Russian Grids

We have audited the accompanying consolidated financial statements of Joint Stock Company Russian Grids and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Audited entity's responsibility for the consolidated financial statements

Management of the Group is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on the fairness of these consolidated financial statements based on our audit.

We conducted our audit in accordance with the federal standards on auditing effective in the Russian Federation and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Joint Stock Company Russian Grids and its subsidiaries as at 31 December 2014, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Other matter**

The consolidated financial statements of the Group for the year ended 31 December 2013 were audited by another auditor who issued an audit report with an unqualified opinion dated 22 April 2014.

D.E. Lobachev  
General director  
Ernst & Young LLC

22 April 2015

**Details of the audited entity**

Name: Joint Stock Company Russian Grids and its subsidiaries  
Record made in the State Register of Legal Entities on 1 July 2008, State Registration Number 1087760000019.  
Amendments due to renaming are recorded in the State Register of Legal Entities on 4 April 2013, State Registration Number 7137746729542.  
Address: Russia, 121353, Moscow, Belovezhskaya street, 4.

**Details of the auditor**

Name: Ernst & Young LLC  
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.  
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.  
Ernst & Young LLC is a member of self-regulatory organization of auditors Non Profit partnership "Russian Audit Chamber" ("SRO NP APR"). Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 10201017420.

	Notes	Year ended 31 December 2014	Year ended 31 December 2013 (restated)
Revenue	8	759,608	755,806
Operating expenses	10	(759,805)	(912,566)
Other income, net	9	14,309	7,939
<b>Results from operating activities</b>		<b>14,112</b>	<b>(148,821)</b>
Finance income	12	10,712	9,049
Finance costs	12	(42,863)	(50,618)
<b>Net finance costs</b>		<b>(32,151)</b>	<b>(41,569)</b>
Share of loss of equity accounted investees (net of income tax)		(10)	(11)
<b>Loss before income tax</b>		<b>(18,049)</b>	<b>(190,401)</b>
Income tax expense/(benefit)	13	(6,208)	31,012
<b>Loss for the year</b>		<b>(24,257)</b>	<b>(159,389)</b>
<b>Other comprehensive income</b>			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Net change in fair value of available-for-sale financial assets	16	125	(123)
Foreign currency translation differences		650	26
Related income tax	17	(22)	25
<b>Total items that are or may be reclassified subsequently to profit or loss</b>		<b>753</b>	<b>(72)</b>
<i>Items that will never be reclassified to profit or loss</i>			
Remeasurements of the defined benefit liability	24	3,023	(3,879)
Related income tax	17	(499)	752
<b>Total items that will not be reclassified to profit or loss</b>		<b>2,524</b>	<b>(3,127)</b>
<b>Other comprehensive loss for the year, net of income tax</b>		<b>3,277</b>	<b>(3,199)</b>
<b>Total comprehensive loss for the year</b>		<b>(20,980)</b>	<b>(162,588)</b>
<b>Loss attributable to:</b>			
Owners of the Company		(15,355)	(132,113)
Non-controlling interest		(8,902)	(27,276)
<b>Total comprehensive loss attributable to:</b>			
Owners of the Company		(13,071)	(134,332)
Non-controlling interest		(7,909)	(28,256)
<b>Loss per share</b>			
Basic and diluted loss per ordinary share (in RUB)	22	(0.096)	(0.832)

These consolidated financial statements were approved by management on 22 April 2015 and were signed on its behalf by:

General Director

Director for accounting  
and reporting – Chief Accountant

O.M. Budargin

V.V. Shchukin

	<u>Notes</u>	<u>31 December 2014</u>	<u>31 December 2013</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	1,643,586	1,595,862
Intangible assets	15	14,300	16,557
Investments in associates and joint ventures		1,627	1,202
Non-current accounts receivable	19	6,971	7,442
Other investments and financial assets	16	22,952	27,309
Deferred tax assets	17	7,117	9,012
<b>Total non-current assets</b>		<b>1,696,553</b>	<b>1,657,384</b>
<b>Current assets</b>			
Inventories	18	26,630	23,920
Other investments and financial assets	16	17,908	53,306
Current income tax prepayments		4,636	5,568
Trade and other receivables	19	155,776	143,944
Cash and cash equivalents	20	82,576	61,917
<b>Total current assets</b>		<b>287,526</b>	<b>288,655</b>
<b>Total assets</b>		<b>1,984,079</b>	<b>1,946,039</b>

	Notes	31 December 2014	31 December 2013
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	21		
Share capital		163,154	163,154
Share premium		212,978	212,978
Treasury shares		(2,725)	(2,819)
Other reserves		(3,981)	(6,265)
Retained earnings		383,554	398,711
<b>Total equity attributable to equity holders of the Company</b>		<b>752,980</b>	<b>765,759</b>
Non-controlling interest		285,824	295,932
<b>Total equity</b>		<b>1,038,804</b>	<b>1,061,691</b>
<b>Non-current liabilities</b>			
Loans and borrowings	23	485,409	492,229
Trade and other payables	25	17,851	14,487
Employee benefits	24	25,512	28,971
Deferred tax liabilities	17	34,389	38,715
<b>Total non-current liabilities</b>		<b>563,161</b>	<b>574,402</b>
<b>Current liabilities</b>			
Loans and borrowings	23	93,227	57,808
Trade and other payables	25	268,469	241,266
Provisions	26	18,871	10,397
Current tax liabilities		1,547	475
<b>Total current liabilities</b>		<b>382,114</b>	<b>309,946</b>
<b>Total liabilities</b>		<b>945,275</b>	<b>884,348</b>
<b>Total equity and liabilities</b>		<b>1,984,079</b>	<b>1,946,039</b>

	Notes	Year ended 31 December 2014	Year ended 31 December 2013
<b>OPERATING ACTIVITIES</b>			
Loss for the year		(24,257)	(159,389)
<i>Adjustments for:</i>			
Depreciation and amortization	10, 14, 15	125,910	115,942
Impairment of property, plant and equipment	14	81,690	239,446
Finance costs	12	42,863	50,618
Finance income	12	(10,712)	(9,049)
Loss on disposal of property, plant and equipment		148	3,245
Share of loss of an associate and a joint venture		10	11
Impairment of accounts receivable and inventory		18,711	19,847
Bad debt write-off		200	430
Non-cash receipt of property, plant and equipment		(4,427)	(2,281)
Non-cash settlement of technological connection agreements		(926)	(613)
Other non-cash transactions		175	1,029
Income tax expense/(benefit)		6,208	(31,012)
<b>Operating profit before changes in working capital</b>		<b>235,593</b>	<b>228,224</b>
Change in trade and other receivables (before impairment)		(30,019)	(40,577)
Change in inventories (before impairment)		(2,151)	(2,996)
Change in trade and other payables		5,134	15,823
Change in employee benefit liabilities		(2,470)	(869)
Change in provisions	26	8,381	(4,169)
Other		480	5
<b>Cash flows from operating activities before income tax and interest paid</b>		<b>214,948</b>	<b>195,441</b>
Income tax paid		(7,322)	(9,050)
Interest paid		(46,950)	(37,448)
<b>Net cash flows from operating activities</b>		<b>160,676</b>	<b>148,943</b>

	<b>Notes</b>	<b>Year ended 31 December 2014</b>	<b>Year ended 31 December 2013</b>
<b>INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment and intangible assets		(204,193)	(266,415)
Proceeds from the sale of property, plant and equipment		4,702	1,507
Acquisition of investments and placement of bank deposits		(120,533)	(97,447)
Proceeds from disposal of investments and withdrawal of bank deposits		144,904	101,904
Dividends received		31	47
Interest received		8,799	7,290
<b>Net cash flows used in investing activities</b>		<b>(166,290)</b>	<b>(253,114)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from loans and borrowings		118,482	293,076
Repayment of loans and borrowings		(89,592)	(185,484)
Proceeds from shares issued		-	4,295
Acquisition of non-controlling interest in subsidiaries	21	-	(764)
Dividends paid		(2,020)	(3,469)
Repayment of finance lease liabilities		(597)	(1,381)
<b>Net cash flows from financing activities</b>		<b>26,273</b>	<b>106,273</b>
<b>Net increase in cash and cash equivalents</b>		<b>20,659</b>	<b>2,102</b>
<b>Cash and cash equivalents at the beginning of year</b>		<b>61,917</b>	<b>59,815</b>
<b>Cash and cash equivalents at the end of year</b>	20	<b>82,576</b>	<b>61,917</b>

**Attributable to equity holders of the Company**

	Share capital	Share premium	Treasury shares	Reserve for issue of shares	Reserves	Retained earnings	Total	Non- controlling interest	Total equity
<b>Balance at 1 January 2013</b>	<b>49,947</b>	<b>16,244</b>	<b>(2,819)</b>	<b>19,751</b>	<b>(4,046)</b>	<b>807,577</b>	<b>886,654</b>	<b>335,765</b>	<b>1,222,419</b>
Loss for the year	-	-	-	-	-	(132,113)	(132,113)	(27,276)	(159,389)
Other comprehensive loss	-	-	-	-	(2,768)	-	(2,768)	(1,208)	(3,976)
Related income tax	-	-	-	-	549	-	549	228	777
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,219)</b>	<b>(132,113)</b>	<b>(134,332)</b>	<b>(28,256)</b>	<b>(162,588)</b>
<b>Transactions with owners of the Company</b>									
<b>Contributions and distributions</b>									
Issue of shares (see Note 21)	113,207	196,734	-	(19,751)	-	(282,565)	7,625	(7,092)	533
Dividends (see Note 21)	-	-	-	-	-	(166)	(166)	(3,331)	(3,497)
Effect of employee share options	-	-	-	-	-	250	250	-	250
<b>Total contributions and distributions</b>	<b>113,207</b>	<b>196,734</b>	<b>-</b>	<b>(19,751)</b>	<b>-</b>	<b>(282,481)</b>	<b>7,709</b>	<b>(10,423)</b>	<b>(2,714)</b>
<b>Changes in ownership interests in subsidiaries</b>									
Shares issued by subsidiaries (see Note 21)	-	-	-	-	-	5,993	5,993	(655)	5,338
Acquisition of non-controlling interest in subsidiaries without a change in control (see Note 21)	-	-	-	-	-	(265)	(265)	(499)	(764)
<b>Total transactions with owners of the Company</b>	<b>113,207</b>	<b>196,734</b>	<b>-</b>	<b>(19,751)</b>	<b>-</b>	<b>(276,753)</b>	<b>13,437</b>	<b>(11,577)</b>	<b>1,860</b>
<b>Balance at 31 December 2013</b>	<b>163,154</b>	<b>212,978</b>	<b>(2,819)</b>	<b>-</b>	<b>(6,265)</b>	<b>398 711</b>	<b>765 759</b>	<b>295 932</b>	<b>1,061 691</b>

**Attributable to equity holders of the Company**

	Share capital	Share premium	Treasury shares	Reserves	Retained earnings	Total	Non- controlling interest	Total equity
<b>Balance at 1 January 2014</b>	<b>163,154</b>	<b>212,978</b>	<b>(2,819)</b>	<b>(6,265)</b>	<b>398,711</b>	<b>765,759</b>	<b>295,932</b>	<b>1,061,691</b>
Loss for the year	-	-	-	-	(15,355)	(15,355)	(8,902)	(24,257)
Other comprehensive income	-	-	-	2,619	-	2,619	1,179	3 798
Related income tax	-	-	-	(335)	-	(335)	(186)	(521)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,284</b>	<b>(15,355)</b>	<b>(13,071)</b>	<b>(7,909)</b>	<b>(20,980)</b>
<b>Transactions with owners of the Company</b>								
<b>Contributions and distributions</b>								
Disposal of treasury shares (see Note 21)	-	-	94	-	-	94	-	94
Dividends (see Notes 21)	-	-	-	-	-	-	(2,032)	(2,032)
Effect of employee share options	-	-	-	-	4	4	-	4
<b>Total contributions and distributions</b>	<b>-</b>	<b>-</b>	<b>94</b>	<b>-</b>	<b>4</b>	<b>98</b>	<b>(2,032)</b>	<b>(1,934)</b>
<b>Changes in ownership interests in subsidiaries</b>								
Shares issued by subsidiaries (see Note 21)	-	-	-	-	194	194	(167)	27
<b>Total transactions with owners of the Company</b>	<b>-</b>	<b>-</b>	<b>94</b>	<b>-</b>	<b>198</b>	<b>292</b>	<b>(2,199)</b>	<b>(1,907)</b>
<b>Balance at 31 December 2014</b>	<b>163,154</b>	<b>212,978</b>	<b>(2,725)</b>	<b>(3,981)</b>	<b>383,554</b>	<b>752,980</b>	<b>285,824</b>	<b>1,038,804</b>

# **1 Background**

## **(a) The Group and its operations**

Joint Stock Company IDGC Holding was established on 1 July 2008 in accordance with the resolution of the Extraordinary General Meeting of the Shareholders of the Unified Energy System of Russia (RAO UES) dated 26 October 2007, as a spin-off of RAO UES.

At an Extraordinary General Meeting of Shareholders of JSC IDGC Holding on 23 March 2013, the decision was made to amend the Charter of JSC IDGC Holding, under which it was renamed JSC Russian Grids (JSC Russian Grids, or the Company). On 4 April 2013, the respective changes to the Charter of JSC IDGC Holding were registered by the Interregional Inspectorate of the Federal Tax Service No. 46 for the city of Moscow.

The ordinary and preference shares of the Company are traded on the MICEX-RTS Stock Exchange. The Company's GDRs are listed on the London Stock Exchange.

The Company's registered office is located at 4 Belovezhskaya Street, Moscow, Russia, 121353 (before the 25<sup>th</sup> of July 2014 the Company's registered office was located at 26 Ulanskiy Pereulok, Moscow, Russia, 107996).

The Russian Grids Group (Russian Grids, the Group) is comprised of JSC Russian Grids and its subsidiaries presented in Note 5.

The Group's principal activities are electricity distribution and technological connection services.

The Group's power distribution companies sell electricity. In addition, some interregional distribution grid companies also worked as guaranteeing electricity suppliers in 2014 and 2013.

## **(b) Russian business environment**

The Group's operations are located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation, which display the characteristics of an emerging market. The legal, tax and regulatory frameworks continue to develop, but are subject to varying interpretations and frequent changes which, together with other legal and fiscal impediments, contribute to the challenges faced by entities operating in the Russian Federation.

In 2014, the Russian economy was negatively impacted by macroeconomic factors, including devaluation of the Russian Ruble. In December 2014, the Ruble interest rates have increased significantly after the Central Bank of Russia raised its key rate. 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.

The consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from the management's assessment.

## **(c) Relations with state and current regulations**

The Group's strategic business units (see Note 7) are regional natural monopolies. The Russian Government directly affects the Group's operations through a system of regional tariffs.

In accordance with legislation, the Group's tariffs are controlled by the Federal Service on Tariffs and the Regional Energy Commission in each region.

## **1 Background (continued)**

### **(c) Relations with state and current regulations (continued)**

As at 31 December 2014, the Russian Government owned 86.32% of the voting ordinary shares and 7.01% of the preference shares of the Company (31 December 2013: 86.32% of the voting ordinary shares and 7.01% of the preference shares). The Russian Government, through the Federal Agency for the Management of Federal Property, is the ultimate controlling party of the Company. The Group is supported by the Russian Government due to its strategic position in the economy of the Russian Federation. The Group's customer base includes a number of state-controlled entities.

## **2 Basis of preparation**

### **(a) Statement of compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

### **(b) Basis of measurement**

The consolidated financial statements are prepared on the historical cost basis, except for investments classified as available-for-sale financial assets that have been measured at fair value.

### **(c) Functional and presentation currency**

The national currency of the Russian Federation is the Russian ruble (RUB), which is the Company's functional currency and the currency in which these consolidated financial statements are presented. All financial information presented in RUB has been rounded to the nearest million.

### **(d) Use of judgments, estimates and assumptions**

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 17 – Deferred tax assets
- Note 27 – Allowances for trade and other receivables
- Note 14 – Impairment of property, plant and equipment

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial periods is included in Note 14, Property, plant and equipment.

## 2 Basis of preparation (continued)

### (e) Changes in accounting policies

The Group has consistently applied the accounting policies set out in Note 3 to all periods presented in these consolidated financial statements, except for the application of new standards and interpretations that came into effect on 1 January 2014.

The application of the following new standards and interpretations had no material impact on the financial position or performance of the Company:

- *Recoverable Amount Disclosures for Non-Financial Assets* – Amendments to IAS 36 *Impairment of Assets*. The amendments required additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal. The amendments had no material impact on the financial statements of the Group.
- *Levies* (IFRIC 21). The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. This interpretation has no material impact on the Group.
- *Offsetting Financial Assets and Financial Liabilities* – Amendments to IAS 32 *Financial Instruments: Presentation*. The amendments clarify the offsetting rules for assets and liabilities and introduce new related disclosure requirements applied retrospectively. These amendments have no material impact on the Group financial statements.
- *Defined Benefit Plans: Employee Contributions* – Amendments to IAS 19 *Employee Benefits*. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service (for example, employee contributions that are calculated according to a fixed percentage of salary). These amendments have no material impact on the Group financial statements.

## 2 Basis of preparation (continued)

### (f) Change in presentation

#### *Reclassification of comparative information*

The Group changed presentation in the comparative financial statements for certain items to comply with the current period presentation. The result of reclassification of comparative information in the consolidated statement of profit and loss and other comprehensive income is presented below:

	<u>2013</u>	<u>Reclassification of income/(loss) from non-contracted electricity consumption</u>	<u>Reclassification of loss on disposal of property, plant and equipment</u>	<u>Reclassification of income from property, plant and equipment received free of charge</u>	<u>Total changes</u>	<u>2013 (restated)</u>
Revenue	759 779	(3 973)	–	–	(3 973)	755 806
Operating expenses	(914 495)	481	3 245	(1 797)	1 929	(912 566)
Other income, net	5 895	3 492	(3 245)	1 797	2 044	7 939
Results from operating activities	(148 821)	–	–	–	–	(148 821)

The respective changes were made in the Notes to the financial statements.

### 3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities. Certain comparative amounts have been reclassified to conform with the current year presentation.

#### (a) Basis of consolidation

##### (i) *Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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. Losses attributable to the non-controlling interests in a subsidiary are allocated to non-controlling interests, even if doing so causes the non-controlling interests to have a deficit balance.

##### (ii) *Business combinations*

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- 1) The fair value of the consideration transferred: plus
- 2) The recognized amount of any non-controlling interests in the acquiree; plus
- 3) The fair value of the pre-existing equity interest in the acquiree if the business combination is achieved in stages; less
- 4) The net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Transaction costs that the Group incurs in connection with a business combination, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

### **3 Significant accounting policies (continued)**

#### **(iii) *Accounting for acquisitions of non-controlling interests***

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners, and therefore no goodwill is recognized as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

#### **(iv) *Acquisitions from entities under common control***

The assets and liabilities of a business acquired in a common control transaction are recognized at the carrying amounts recognized previously in the consolidated financial statements of the acquired entities. Any cash or other contribution paid for the acquisition is recognized directly in equity.

#### **(v) *Investments in associates (equity accounted investees)***

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized 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 nil 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.

#### **(vi) *Transactions eliminated on consolidation***

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

### **(b) Foreign currency**

#### **(i) *Foreign currency transactions***

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date.

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 recognized in profit or loss, except for differences arising on the retranslation of available-for-sale financial assets which are recognized in other comprehensive income.

### 3 Significant accounting policies (continued)

#### (c) Financial instruments

##### (i) *Non-derivative financial instruments*

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

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 realize the asset and settle the liability simultaneously.

##### (ii) *Non-derivative financial assets*

The Group initially recognizes loans and receivables and deposits on the date that they are originated at fair value. All other financial assets are recognized initially on the date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes 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 recognized as a separate asset or liability.

The Group has the following non-derivative financial assets: loans and receivables, held for maturity investments, cash and cash equivalents, and available-for-sale financial assets.

##### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Receivables are presented inclusive of value-added tax.

Loans and receivables are comprised of the following classes of assets: trade and other receivables as presented in Note 19, and cash and cash equivalents as presented in Note 20.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and highly liquid investments with maturities at initial recognition 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 previous categories. Such assets are recognized 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(k)(i) and foreign currency differences on available-for-sale debt instruments (see Note 3(b), are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized or impaired, the cumulative gain or loss in other

### **3 Significant accounting policies (continued)**

#### **(c) Financial instruments (continued)**

##### **(ii) *Non-derivative financial assets (continued)***

comprehensive income is transferred 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.

##### *Financial assets held-to-maturity*

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the effective interest rate, less impairment.

##### **(iii) *Non-derivative financial liabilities***

The Group initially recognizes debt securities issued on the date that they are originated. All other financial liabilities are recognized initially on the date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Other financial liabilities comprise loans and borrowings and trade and other payables.

#### **(d) Share capital**

Ordinary shares and non-redeemable preference shares are both classified as equity.

#### **(e) 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 as at 1 January 2007, the date of transition to IFRS, was determined by using its fair value at that date.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

If significant 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.

### 3 Significant accounting policies (continued)

#### (e) Property, plant and equipment (continued)

##### (i) *Recognition and measurement (continued)*

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognized net within other income, net in profit or loss.

##### (ii) *Subsequent costs*

The cost of replacing part of an item of property, plant and equipment is recognized 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 carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

##### (iii) *Depreciation*

Depreciation is recognized 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. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

• Buildings	7-50 years
• Transmission networks	5-40 years
• Equipment for electricity transmission	5-40 years
• Other	1-50 years

Depreciation methods, useful lives and residual values are reviewed at each financial year and adjusted if appropriate.

#### (f) Intangible assets

##### (i) *Goodwill*

Goodwill (negative goodwill) arises on the acquisition of subsidiaries, associates, and joint ventures.

For the measurement of goodwill at initial recognition, see Note 3(a)(ii).

##### *Subsequent measurement*

Goodwill is measured at cost less accumulated impairment losses. With respect to associates, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted investee.

### 3 Significant accounting policies (continued)

#### (f) Intangible assets (continued)

##### (ii) *Other intangible assets*

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses.

##### (iii) *Subsequent expenditure*

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

##### (iv) *Amortization*

Amortization is recognized 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 as follows:

- Licenses and certificates 1-10 years
- Software 1-15 years

Amortization methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

#### (g) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as financial 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 recognized in the consolidated statement of financial position.

#### (h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is determined on the weighted average cost method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

#### (i) Advances given

Advances given are classified as non-current if they are connected with the acquisition of an asset which will be classified as non-current upon initial recognition. Advances given for the acquisition of an asset are included in its carrying amount upon the acquisition of control over the asset, and when it is probable that the Group will obtain economic benefit from its usage.

### 3 Significant accounting policies (continued)

#### (j) Value-added tax

Output value-added tax (VAT) related to sales is payable to the tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. Amounts of VAT related to advances received and given as well as VAT prepayment are recognized in the consolidated statement of financial position on a net basis and disclosed as an asset within accounts receivable (VAT recoverable). Amounts of VAT to be paid to the tax authorities are presented separately within short-term accounts payable.

Where a provision has been made for the impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

#### (k) Impairment

##### (i) *Financial assets*

A financial asset 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, economic conditions that correlate with defaults, or the disappearance of an active market for a security. 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.

An impairment loss with respect to a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale financial assets are recognized 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 amortization, and the current fair value, less any impairment loss previously recognized in profit or loss.

Changes in impairment provisions attributable to the 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 recognized in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

### **3 Significant accounting policies (continued)**

#### **(k) Impairment (continued)**

##### **(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 goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or cash-generating unit 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. 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 or groups of CGU. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units which it related to.

The Group's corporate assets do not generate separate cash inflows and are utilized 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.

Impairment losses are recognized in profit or loss. Impairment losses recognized with respect to cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of other assets in the CGU (group of CGU) on a pro rata basis.

An impairment loss with respect to goodwill is not reversed. With respect to other assets, impairment losses recognized 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 amortization, if no impairment loss had been recognized.

#### **(l) 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 recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

### **3 Significant accounting policies (continued)**

#### **(I) Employee benefits (continued)**

##### **(ii) *Defined benefit post-employment plans***

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation with respect to 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 the fair value of any plan 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 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.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group determines the net interest expense on the net defined benefit liability 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, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss. Actuarial gains and losses on changes in actuarial assumptions are recognized in other comprehensive income and expense.

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 recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

##### **(iii) *Other non-current employee benefits***

The Group's net obligation with respect to 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. 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 using the projected unit credit method. Remeasurements are recognized in 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.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

### 3 Significant accounting policies (continued)

#### (m) Provisions

A provision is recognized 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 recognized as finance cost.

#### (n) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

#### (i) *Electricity distribution and sales of electricity*

Revenue from electricity transmission is recognized based on acts of services rendered. The act is prepared for each counterparty in accordance with the concluded contract on the provision of services based on the meter readings and the “boiler” tariffs. The tariffs for the distribution of electricity on the 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.

Revenue from the sale of electricity is recognized based on:

- Monthly acts of acceptance of electricity under the electricity supply agreements (electricity sale agreements) of legal entities, based on the meter readings and unregulated prices formed on the retail market in the settlement period;
- Monthly documents (receipts) on the consumption of utilities services by individuals based on the meter readings and tariffs approved by the Regional Energy Commission.

Revenue from the resale of electricity and capacity which is sold under power supply contracts includes the part of revenue related to the transmission of electricity. The tariff for the sale of electricity under power supply contracts is calculated with the transmission fee taken into account.

#### (ii) *Technological 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 transmission services.

Revenue for connection to the power network is recognized when an act of acceptance is signed by the customer and the customer is connected to the grid network or, for a contract where connection services are performed in stages, revenue is recognized in proportion to the stage of completion.

### **3 Significant accounting policies (continued)**

#### **(n) Revenue (continued)**

##### **(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.

#### **(o) Government subsidies**

Government grants are recognized where there is reasonable assurance that the grant will be received and all the attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

Government subsidies that compensate the Group for low electricity tariffs are recognized in profit or loss in the same periods in which the respective revenue is earned.

#### **(p) Other expenses**

##### **(i) Lease payments**

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

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.

##### *Determining whether an arrangement contains a lease*

At the inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other considerations 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 recognized 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 recognized using the Group's incremental borrowing rate.

##### **(ii) Social expenditure**

To the extent that the Group's contributions to social programs benefit the community at large and are not restricted to the Group's employees, they are recognized in profit or loss as incurred.

### 3 Significant accounting policies (continued)

#### (q) 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, discounts on financial instruments, and foreign currency gains. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established.

Finance costs are comprised of interest expense on borrowings, financial leasing, foreign currency losses, discounts on financial instruments and impairment losses recognized 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 recognized 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 costs, depending on whether foreign currency movements are in a net gain or net loss position.

#### (r) Income tax expense

Income tax expense is comprised of current and deferred tax. It is recognized in profit or loss, except to the extent that it relates to a business combination, or items recognized 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 with respect to previous years.

Deferred tax is recognized with respect to 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 recognized 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 relating to investments in subsidiaries and associates to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;
- Taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. The Group accrues tax liabilities for open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions, and may involve a series of judgments about future events. New information may

### **3 Significant accounting policies (continued)**

#### **(r) Income tax (continued)**

become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

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 realized simultaneously.

A deferred tax asset is recognized 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 temporary difference can be utilized. 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 realized.

#### **(s) Earnings per share**

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Profit attributable to ordinary shareholders is calculated by adjusting profit attributable to owners of the Company by profit attributable to holders of preference shares.

#### **(t) Segment reporting**

The Group determines and presents operating segments based on internal information provided to the Management Board of the Company, which is the Group's chief operating decision-making body.

An operating segment is a component of the Group that engages in business activities and 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. The operating results of operating segments for which discrete financial information is available are reviewed regularly by the Management Board so that it can 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 parent company revenue, expenses, assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

Inter-segment pricing is determined on an arm's length basis.

### 3 Significant accounting policies (continued)

#### (u) 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 2014, and have not been applied in preparing these consolidated financial statements. Of these pronouncements, the following will have a potential impact on the Group's operations. The Group plans to adopt the following pronouncements when they become effective:

- IFRS 9 *Financial Instruments* was issued in phases and ultimately replaced IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 brings together the requirements for the classification and measurement, impairment and hedge accounting of financial instruments. With respect to impairment, IFRS 9 replaces the "incurred loss" model used in IAS 39, with a new "expected credit loss" model that will require a more timely recognition of expected credit losses. The standard is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted. The Group recognizes that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on the 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.
- IFRS 14 *Regulatory Deferral Accounts* is effective for annual periods beginning on or after 1 January 2016. The new standard introduces the requirements for the presentation in the financial statements of balances on regulatory deferral accounts related to the provision of goods or services to customers by an organization at prices or tariffs subject to tariff regulation. The Group has not determined the outcome of the potential impact of this standard on its financial position or performance. The Group is currently assessing the impact of the standard on the consolidated financial statements.
- IFRS 15 *Revenue from Contracts with Customers*. IFRS 15 establishes a single framework for revenue recognition and contains requirements for related disclosures. The new standard replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and the related interpretations on revenue recognition. The standard is effective for annual periods beginning on or after 1 January 2017, with earlier application permitted. The Group is currently assessing the impact of the standard on the consolidated financial statements.
- Amendments to IAS 16 *Property, Plant and Equipment*, and IAS 38 *Intangible Assets*, entitled "Clarification of Acceptable Methods of Depreciation and Amortization." The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate, because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. These amendments are effective for annual periods beginning on or after 1 January 2016, with earlier application permitted. The Group is currently assessing the impact of the standard on the consolidated financial statements.
- Various *Improvements to IFRSs* have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect for annual periods beginning on or after 1 January 2015. The Group has not yet analyzed the likely impact of the improvements on its financial position or performance. The Group is currently assessing the impact of the standard on the consolidated financial statements.

## 4 Measurement of fair values

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.

When measuring the fair value of an asset or liability, the Group uses observable market data as much as possible. Fair values are categorized 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 in 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 categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 27.

## 5 Significant subsidiaries

		31 December 2014	31 December 2013
	Country of incorporation	Ownership/voting, %	Ownership/voting, %
JSC FGC UES	Russian Federation	80.15	80.60**
JSC MOESK	Russian Federation	50.90	50.90
JSC Tyumenenergo	Russian Federation	100.00	100.00
JSC Lenenergo	Russian Federation	67.55/70.42	53.71 / 60.56**
JSC IDGC of Centre	Russian Federation	50.23	50.23
JSC IDGC of Urals	Russian Federation	51.52	51.52
JSC IDGC of Centre and Volga region	Russian Federation	50.40	50.40
JSC Kubanenergo	Russian Federation	92.24	92.24
JSC IDGC of Siberia	Russian Federation	55.59	55.59
JSC IDGC of Volga	Russian Federation	67.63	67.63
JSC IDGC of North-West	Russian Federation	55.38	55.38
JSC IDGC of North Caucasus	Russian Federation	93.20	93.20
JSC Chechenenergo	Russian Federation	72.66	51.00**
JSC IDGC of South	Russian Federation	51.66	51.66
JSC TDC	Russian Federation	85.77 / 94.58	85.77 / 85.77
JSC Yantarenergo	Russian Federation	100.00	100.00
JSC Karachaevo-Cherkesskenenergo	Russian Federation	100.00	100.00
JSC Kalmenergosbyt	Russian Federation	100.00	100.00
JSC Kabbalkenergo	Russian Federation	65.27	65.27
JSC Tyvaenergosbyt	Russian Federation	100.00	100.00
JSC Ingushenergo	Russian Federation	49.00*	49.00*
JSC Sevkavkazenergo	Russian Federation	55.94	55.94
JSC Dagestan Power Sales Company	Russian Federation	51.00	51.00

\* The Group exercises control over these entities through its majority representation on the Board of Directors.

\*\* Ownership is indicated excluding the effect of the shares issue incomplete as at period end.

## 6 Non-controlling interests

The following table summarizes the information relating to each of the Group's subsidiaries that has material non-controlling interest, before any intra-group eliminations.

**31 December 2014 and for the year then ended**

	FGC	MOESK	Lenenergo	IDGC of Centre	IDGC of Urals	IDGC of Centre and Volga region	IDGC of Siberia	Other individually immaterial subsidiaries	Total
<b>Non-controlling percentage</b>	19.85	49.10	32.45	49.77	48.48	49.60	44.41		
Non-current assets	817,680	283,057	114,398	74,315	61,826	58,986	33,827		
Current assets	118,448	29,480	17,204	19,479	13,951	18,622	16,094		
Non-current liabilities	(241,312)	(74,698)	(52,730)	(34,323)	(18,287)	(27,237)	(16,200)		
Current liabilities	(120,243)	(76,393)	(38,018)	(20,539)	(16,278)	(18,575)	(20,072)		
<b>Net assets</b>	<b>574,573</b>	<b>161,446</b>	<b>40,854</b>	<b>38,932</b>	<b>41,212</b>	<b>31,796</b>	<b>13,649</b>		
<b>Carrying amount of non-controlling interest</b>	<b>114,402</b>	<b>80,294</b>	<b>15,174</b>	<b>19,464</b>	<b>20,729</b>	<b>16,116</b>	<b>6,241</b>	<b>13,404</b>	<b>285,824</b>
Revenue	178,139	128,020	45,510	86,955	68,975	69,352	60,489		
Profit/(loss)	16,958	5,434	(8,925)	(3,285)	1,515	(2,084)	(10,458)		
Other comprehensive income/(loss)	2,202	280	139	532	(97)	57	129		
<b>Total comprehensive income/(loss)</b>	<b>19,160</b>	<b>5,714</b>	<b>(8,786)</b>	<b>(2,753)</b>	<b>1,418</b>	<b>(2,027)</b>	<b>(10,329)</b>		
Profit/(loss) allocated to non-controlling interest	3,136	2,637	(2,910)	(1,652)	698	(1,034)	(4,644)	(5,133)	(8,902)
Other comprehensive income/(loss) allocated to non-controlling interest	437	137	45	265	(47)	28	57	71	993
Cash flows from operating activities	89,726	35,808	8,847	7,978	11,761	5,872	3,271		
Cash flows used in investment activities	(24,772)	(45,792)	(27,475)	(12,345)	(8,860)	(9,802)	(6,830)		
Cash flows from financing activities	(44,513)	12,693	16,420	3,648	(1,228)	2,940	5,067		
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>20,441</b>	<b>2,709</b>	<b>(2,208)</b>	<b>(719)</b>	<b>1,673</b>	<b>(990)</b>	<b>1,508</b>		

## 6 Non-controlling interests (continued)

31 December 2013 and for the year then ended

	FGC	MOESK	Lenenergo	IDGC of Centre	IDGC of Urals	IDGC of Centre and Volga region	IDGC of Siberia	Other individually immaterial subsidiaries	Total
<b>Non-controlling percentage</b>	<b>19.40</b>	<b>49.10</b>	<b>46.29</b>	<b>49.77</b>	<b>48.48</b>	<b>49.60</b>	<b>44.41</b>		
Non-current assets	791,708	267,285	102,956	79,333	59,670	60,949	44,071		
Current assets	131,459	26,349	18,747	16,713	11,092	15,940	11,214		
Non-current liabilities	(265,876)	(75,168)	(34,676)	(39,422)	(20,181)	(29,823)	(14,463)		
Current liabilities	(105,561)	(58,761)	(36,563)	(14,871)	(10,690)	(12,610)	(16,844)		
<b>Net assets</b>	<b>551,730</b>	<b>159,705</b>	<b>50,464</b>	<b>41,753</b>	<b>39,891</b>	<b>34,456</b>	<b>23,978</b>		
<b>Carrying amount of non-controlling interest</b>	<b>109,114</b>	<b>78,885</b>	<b>18,279</b>	<b>20,850</b>	<b>20,040</b>	<b>17,676</b>	<b>10,828</b>	<b>20,260</b>	<b>295,932</b>
Revenue	160,530	130,762	42,322	93,532	65,523	77,636	63,764		
Profit/(Loss)	(184,319)	19,012	4,152	266	(1,197)	1,752	(1,029)		
Other comprehensive income/(loss)	(105)	(546)	7	(291)	(395)	(102)	(169)		
<b>Total comprehensive income/(loss)</b>	<b>(184,424)</b>	<b>18,466</b>	<b>4,159</b>	<b>(25)</b>	<b>(1,592)</b>	<b>1,650</b>	<b>(1,198)</b>		
Profit/(loss) allocated to non-controlling interest	(37,685)	9,403	1,766	149	(550)	868	(457)	(770)	(27,276)
Other comprehensive income/(loss) allocated to non-controlling interest	(21)	(268)	2	(145)	(192)	(51)	(75)	(230)	(980)
Cash flows from operating activities	61,568	32,145	11,602	10,265	6,305	9,561	2,088		
Cash flows used in investment activities	(137,458)	(38,535)	(19,615)	(15,433)	(10,114)	(7,367)	(6,294)		
Cash flows from financing activities	73,461	(346)	8,219	5,311	3,207	(1,510)	4,109		
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>(2,429)</b>	<b>(6,736)</b>	<b>206</b>	<b>143</b>	<b>(602)</b>	<b>684</b>	<b>(97)</b>		

## **7 Operating segments**

The Group has fourteen reportable segments, as described below, which are the Group's strategic business units. Each strategic business unit offers electricity distribution services, including technological connection services, in a separate geographical region of the Russian Federation and is managed separately.

The "other" segment includes insignificant operating segments such as electricity sales, rent services and repair and maintenance services. For each of the strategic business units, the Management Board reviews internal management reports on at least a quarterly basis. Unallocated items are comprised of assets and balances of the Company's headquarters, which exercises management activity on a remuneration basis.

The Management Board of the Company assesses the performance, assets and liabilities of operating segments based on internal management accounting, which is based on the information reported in statutory accounts. Performance is measured based on earnings or loss before interest expense, income tax and depreciation and amortization (EBITDA). Management believes that EBITDA is the most relevant measurement for evaluating the results of the Group's operating segments.

The reconciliation of operating segment measurements with similar items in these consolidated financial statements includes those reclassifications and adjustments that are necessary for the financial statements to be presented in accordance with IFRS.

Information regarding reportable segments is included below.

## 7 Operating segments (continued)

### (i) Information about reportable segments

As at and for the year ended 31 December 2014:

	IDGC Siberia and Tomskaya DC	Tyumen- energo	IDGC Urals	IDGC Volga	IDGC South	Kubanener- go	IDGC North Caucasus	IDGC Centre and Privolzhye	IDGC North-West Lenenergo	Yantar- energo	IDGC Centre	MOESK	FGC	Other	Total	
Revenue from external customers	63,665	52,048	53,917	45,944	28,484	29,387	7,829	68,190	41,388	44,561	836	86,627	125,102	42,829	65,226	756,033
Inter-segment revenue	919	28	5,691	48	408	7	5,665	972	2,873	161	3,369	78	158	126,112	29,292	175,781
<b>Total segment revenue</b>	<b>64,584</b>	<b>52,076</b>	<b>59,608</b>	<b>45,992</b>	<b>28,892</b>	<b>29,394</b>	<b>13,494</b>	<b>69,162</b>	<b>44,261</b>	<b>44,722</b>	<b>4,205</b>	<b>86,705</b>	<b>125,260</b>	<b>168,941</b>	<b>94,518</b>	<b>931,814</b>
Including																
<i>Electricity transmission</i>	57,648	50,895	57,481	45,244	28,009	28,464	12,281	65,113	31,343	36,261	3,804	69,151	112,509	159,780	10,764	768,747
<i>Connection services</i>	954	871	1,720	488	704	848	436	723	882	8,249	250	1,496	11,829	6,999	1,750	38,199
<i>Resale of electricity and power</i>	5,681	-	-	-	-	-	-	3,056	11,017	-	-	15,053	-	-	59,856	94,663
<i>Other revenue</i>	301	310	407	260	179	82	777	270	1,019	212	151	1,005	922	2,162	22,148	30,205
Finance income	76	457	174	29	43	634	127	265	237	1,345	2	107	550	5,995	310	10,351
Finance costs	(1,047)	(1)	(942)	(912)	2,236	(1,801)	(355)	(2,038)	(1,395)	(2,766)	(243)	(2,502)	(3,457)	(5,544)	(623)	(21,390)
Depreciation	4,969	7,242	4,116	5,662	2,872	2,472	1,878	5,866	3,956	9,078	364	8,375	22,139	80,216	3,376	162,581
<b>EBITDA</b>	<b>6,792</b>	<b>11,612</b>	<b>7,433</b>	<b>6,836</b>	<b>(1,410)</b>	<b>537</b>	<b>371</b>	<b>10,190</b>	<b>4,821</b>	<b>3,050</b>	<b>522</b>	<b>15,741</b>	<b>37,495</b>	<b>100,098</b>	<b>(3,758)</b>	<b>200,270</b>
<b>Segment assets</b>	<b>70,168</b>	<b>135,470</b>	<b>62,232</b>	<b>66,400</b>	<b>41,481</b>	<b>61,715</b>	<b>33,753</b>	<b>93,718</b>	<b>60,905</b>	<b>164,769</b>	<b>7,740</b>	<b>111,392</b>	<b>326,036</b>	<b>1,231,217</b>	<b>105,946</b>	<b>2,572,942</b>
<i>Including property, plant and equipment and construction in progress</i>	50,093	122,834	48,360	56,624	29,987	47,499	25,461	73,478	40,925	139,479	5,293	89,171	275,494	1,078,341	51,714	2,135,053
Capital expenditure	6,129	8,031	7,107	5,789	1,130	8,278	2,098	8,025	5,197	23,040	832	12,177	45,494	127,965	5,101	266,878
<b>Segment liabilities</b>	<b>37,287</b>	<b>24,370</b>	<b>29,098</b>	<b>23,702</b>	<b>36,258</b>	<b>32,093</b>	<b>15,464</b>	<b>44,018</b>	<b>33,940</b>	<b>93,329</b>	<b>6,006</b>	<b>55,160</b>	<b>142,249</b>	<b>376,727</b>	<b>133,335</b>	<b>1,083,136</b>

## 7 Operating segments (continued)

### (i) Information about reportable segments (continued)

As at and for the year ended 31 December 2013:

	IDGC Siberia and Tomskaya DC	Tyumen- energo	IDGC Urals	IDGC Volga	IDGC South	Kuban- energo	IDGC North Caucasus	IDGC Centre and Privolzhye	IDGC North-West Lenenergo	Yantar- energo	IDGC Centre	MOESK	FGC	Other	Total	
Revenue from external customers	68,921	51,920	52,183	49,117	27,052	33,898	8,218	77,644	39,267	39,813	287	92,802	124,254	33,648	61,956	760,980
Inter-segment revenue	801	32	5,261	63	374	6	4,284	27	2,783	89	3,520	145	477	121,703	31,090	170,655
<b>Total segment revenue</b>	<b>69,722</b>	<b>51,952</b>	<b>57,444</b>	<b>49,180</b>	<b>27,426</b>	<b>33,904</b>	<b>12,502</b>	<b>77,671</b>	<b>42,050</b>	<b>39,902</b>	<b>3,807</b>	<b>92,947</b>	<b>124,731</b>	<b>155,351</b>	<b>93,046</b>	<b>931,635</b>
Including																
<i>Electricity transmission</i>	56,240	50,637	55,258	39,968	25,882	30,505	11,152	61,225	29,650	33,207	3,408	61,396	110,981	152,429	8,561	730,499
<i>Connection services</i>	1,828	975	1,884	527	1,424	3,336	1,190	828	955	6,515	208	923	13,231	986	2,010	36,820
<i>Resale of electricity and power</i>	11,513	-	-	8,407	-	-	-	15,375	10,798	-	-	29,770	-	-	53,167	129,030
<i>Other revenue</i>	141	340	302	278	120	63	160	243	647	180	191	858	519	1,936	29,308	35,286
Finance income	13	301	90	13	46	475	62	116	16	644	-	108	378	5,000	312	7,574
Finance costs	(616)	(537)	(732)	(677)	(1,853)	(1,535)	(189)	(2,089)	(1,039)	(2,217)	(189)	(2,112)	(2,448)	(1,448)	(443)	(18,124)
Depreciation	4,433	7,411	3,664	5,035	2,734	1,712	1,766	5,390	3,511	8,171	345	7,561	18,737	70,845	3,126	144,441
<b>EBITDA</b>	<b>4,226</b>	<b>12,121</b>	<b>5,486</b>	<b>5,995</b>	<b>4,975</b>	<b>980</b>	<b>2,773</b>	<b>10,956</b>	<b>5,283</b>	<b>11,832</b>	<b>68</b>	<b>11,602</b>	<b>36,809</b>	<b>54,621</b>	<b>(10,165)</b>	<b>157,562</b>
<b>Segment assets</b>	<b>60,202</b>	<b>133,390</b>	<b>56,622</b>	<b>65,319</b>	<b>46,659</b>	<b>62,672</b>	<b>32,696</b>	<b>89,280</b>	<b>55,201</b>	<b>148,483</b>	<b>7,420</b>	<b>104,988</b>	<b>299,675</b>	<b>1,214,291</b>	<b>106,827</b>	<b>2,483,725</b>
<i>Including property, plant and equipment and construction in progress</i>	47,415	125,503	45,439	56,900	31,618	40,746	25,895	71,609	39,648	124,823	4,846	85,253	250,818	1,039,897	50,712	2,041,122
Capital expenditure	6,858	11,043	8,868	8,671	3,849	11,300	2,740	9,507	6,314	19,313	556	14,630	51,212	170,663	5,899	331,423
<b>Segment liabilities</b>	<b>25,155</b>	<b>21,682</b>	<b>24,827</b>	<b>22,660</b>	<b>34,636</b>	<b>31,284</b>	<b>12,636</b>	<b>40,325</b>	<b>27,754</b>	<b>72,142</b>	<b>5,659</b>	<b>52,012</b>	<b>121,186</b>	<b>371,316</b>	<b>132,034</b>	<b>995,308</b>

## 7 Operating segments (continued)

### (ii) Major customer

In 2014, the Inter RAO Group (consisting primarily of electricity sales companies within the Inter RAO Group) was a major customer of the Group. Total revenues from companies of Inter RAO Group amounted to RUB 163,152 million for the year ended 31 December 2014 (RUB 139,899 million for the year ended 31 December 2013).

### (iii) Reconciliations of reportable segment revenues, EBITDA and assets and liabilities

The 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.

The reconciliation of reportable segment revenue is presented below:

	<b>Year ended 31 December 2014</b>	<b>Year ended 31 December 2013</b>
<b>Total segment revenues</b>	<b>931,814</b>	<b>931,635</b>
Intersegment revenue elimination	(175,781)	(170,655)
Reclassification from other income	4,324	143
Other adjustments	(760)	(5,328)
Unallocated revenues	11	11
<b>Revenues per consolidated statement of profit or loss and other comprehensive income</b>	<b>759,608</b>	<b>755,806</b>

Reconciliation of reportable segment EBITDA is presented below:

	<b>Year ended 31 December 2014</b>	<b>Year ended 31 December 2013</b>
<b>EBITDA of reportable segments</b>	<b>200,270</b>	<b>157,562</b>
Adjustment for disposal of property, plant and equipment	4,130	(182)
Adjustment for inventories valuation	193	406
Discounting of financial instruments	261	(156)
Trade and other receivables' allowance adjustment	(821)	17,356
Adjustments for finance lease	783	3,119
Impairment of property, plant and equipment	(78,872)	(239,446)
Accrued salaries and wages	300	424
Employee benefit obligations recognition	437	(813)
Adjustment on assets related to employee benefit fund	(164)	157
Provisions	1,181	(2,714)
Adjustments for deferred expenses	(31)	(121)
Adjustment of available-for-sale financial assets	1,173	1,869
Reversal of impairment of intercompany promissory notes	2,427	9,983
Other adjustments	516	(3,477)
Unallocated items	51	(2,541)

	<b>131,835</b>	<b>(58,574)</b>
Depreciation and amortization	(125,910)	(115,942)
Interest expenses on financial liabilities	(23,804)	(15,500)
Interest expenses on finance lease	(169)	(385)
Income tax (expense)/benefit	(6,208)	31,012
<b>Loss for the year per consolidated statement of profit or loss and other comprehensive income</b>	<b>(24,257)</b>	<b>(159,389)</b>

The reconciliation of reportable segment total assets is presented below:

	<b>31 December 2014</b>	<b>31 December 2013</b>
<b>Total segment assets</b>	<b>2,572,942</b>	<b>2,483,725</b>
Intersegment balances	(121,586)	(109,257)
Intersegment investments	(34,936)	(34,715)
Trade and other receivables and payables offsetting	(2,860)	(386)
Adjustment for net book value of property, plant and equipment	(404,810)	(203,720)
Impairment of property, plant and equipment	(78,872)	(239,446)
Assets related to employee benefits	6,552	6,716
Investments in associates and joint ventures	1,520	533
Adjustments for impairment of account receivables	24,714	27,769
Inventories write-off	(554)	(661)
Adjustment for deferred tax calculation	(18,770)	(11,681)
Advances given	(3,939)	(14,045)
Other adjustments	24,202	24,430
Unallocated assets	20,476	16,777
<b>Total assets per consolidated statement of financial position</b>	<b>1,984,079</b>	<b>1,946,039</b>

The reconciliation of reportable segment total liabilities is presented below:

	<b>31 December 2014</b>	<b>31 December 2013</b>
<b>Total segment liabilities</b>	<b>1,083,136</b>	<b>995,308</b>
Intersegment balances	(119,543)	(107,343)
Trade and other receivables and payables offsetting	(2,860)	(386)
Adjustment for deferred tax calculation	(43,391)	(23,585)
Employee benefit obligations	25,512	28,971
Finance lease liabilities	954	1,431
Accrued salaries and wages	166	191
Other provisions and accruals	422	1,870
Other adjustments	(890)	(13,008)
Unallocated liabilities	1,769	899
<b>Total liabilities per consolidated statement of financial position</b>	<b>945,275</b>	<b>884,348</b>

## 8 Revenue

	<b>Year ended 31 December 2014</b>	<b>Year ended 31 December 2013 (restated)</b>
Electricity transmission	620,022	580,656
Technological connection services	36,473	37,005
Sales of electricity and capacity	86,516	127,063
Other revenues	12,484	11,009
	<b>755,495</b>	<b>755,733</b>
Government subsidies	4,113	73
	<b>759,608</b>	<b>755,806</b>

In 2014 and 2013, some companies of the Group acted as electricity suppliers. Hence, in addition to providing power transmission services, these companies purchased electricity on the wholesale market and sold it on the retail market.

Other revenue is comprised of electricity transmission assets rental income, repair and maintenance services, etc.

## 9 Other income, net

	<b>Year ended 31 December 2014</b>	<b>Year ended 31 December 2013 (restated)</b>
Income from non-contracted electricity consumption	4,684	3,491
Income from fines on commercial contracts	4,875	3,520
Net other income/expense	4,750	928
	<b>14,309</b>	<b>7,939</b>

Net other income/expense includes insurance reimbursement, profit/loss on disposal of fixed assets and other items.

## 10 Operating expenses

	Year ended 31 December 2014	Year ended 31 December 2013 (restated)
Personnel costs (see Note 11)	155,155	150,193
Depreciation and amortization (see Notes 14, 15)	125,910	115,942
Impairment of property, plant and equipment (see Note 14)	81,690	239,446
<i>Material expenses, including:</i>		
Purchased electricity for compensation of technological losses	92,098	101,135
Purchased electricity for resale	46,834	60,164
Electricity and heat power for own needs	3,402	3,269
Other material costs	25,273	24,742
<i>Production work and services, including:</i>		
Electricity transmission	125,445	122,437
Repairs, maintenance and installation services	14,302	14,607
Other works and industrial services	4,637	5,016
Taxes other than income tax	14,738	9,733
Rent	6,638	7,203
Insurance	2,548	2,437
<i>Other third-party services, including:</i>		
Communication services	3,068	3,066
Security services	4,841	3,084
Consulting, legal and audit services	2,173	3,599
Software costs and servicing	2,972	2,655
Transportation	1,896	2,119
Other services	6,965	8,710
Impairment of trade and other receivables	18,872	19,892
Provisions (see Note 26)	12,043	1,665
Other expenses	8,305	11,452
	<b>759,805</b>	<b>912,566</b>

## 11 Personnel costs

	Year ended 31 December 2014	Year ended 31 December 2013
Wages and salaries	117,831	112,690
Social security contributions	31,793	30,492
Expenses related to post-employment defined benefit plan	435	1,653
(Gains)/losses related to other long-term employee benefits	(141)	57
Other	5,237	5,301
	<b>155,155</b>	<b>150,193</b>

The amount of contributions to the defined benefit contribution plan was RUB 23,274 million for the year ended 31 December 2014 (2013: RUB 23,112 million).

## 12 Finance income and costs

<i>Recognized in profit or loss</i>	Year ended 31 December 2014	Year ended 31 December 2013
<b><i>Finance income</i></b>		
Interest income on loans, bank deposits and promissory notes	10,054	7,733
Gain on disposal of financial assets	129	652
Other finance income	529	664
	<b>10,712</b>	<b>9,049</b>
<b><i>Finance costs</i></b>		
Interest expenses on financial liabilities measured at amortized cost	(23,804)	(15,500)
Interest expense on finance lease	(169)	(385)
Impairment loss on available-for-sale financial assets	(16,633)	(28,757)
Other finance costs	(2,257)	(5,976)
	<b>(42,863)</b>	<b>(50,618)</b>

The Group recognised impairment loss on available-for-sale financial assets and assets held-to-maturity in the amount of RUB 16,633 million (2013: RUB 28,757 million), mainly due to further decline in the fair value of investments in OJSC Inter RAO below their cost in the amount of RUB 5,620 million (available-for-sale financial assets) and impairment on deposits (financial assets held-to-maturity) in the amount of RUB 10,272 million.

## 12 Finance income and costs (continued)

As at 31 December 2014 Bank Tavrichesky (hereinafter, "the Bank") faced liquidity problems. On 11 February 2015, external management procedure was initiated, and the Bank was taken into temporary administration of GK Deposit Insurance Agency (hereinafter, "ASV"). ASV is implementing an action plan to prevent the Bank from going into bankruptcy.

Taking into account the financial difficulties faced by the Bank, the external administration procedure to which it is subject and the terms of restructuring deposits as part of the financial restructuring program, the Group's management believes that as at 31 December 2014 its financial investments had been impaired, and recognized an impairment loss with respect to the above financial assets carried at amortized cost for the difference between the carrying amount of the asset and present value of future cash flows. Cash flows that do not include future losses that have not yet been incurred were discounted using the effective interest rate that initially applied to the financial asset, i.e. the effective rate, calculated on initial recognition. As at December 31, 2014 the allowance was RUB 10 272 million.

## 13 Income tax (expense)/benefit

	<u>Year ended 31 December 2014</u>	<u>Year ended 31 December 2013</u>
<i>Current tax expense</i>		
Current year	(11,059)	(11,752)
Adjustment for prior years	1,899	4,528
	<u><b>(9,160)</b></u>	<u><b>(7,224)</b></u>
<i>Deferred tax expense</i>		
Origination and reversal of temporary differences	4,183	42,097
Change in tax base of property, plant and equipment	(1,231)	(3,861)
	<u><b>2,952</b></u>	<u><b>38,236</b></u>
	<u><b>(6,208)</b></u>	<u><b>31,012</b></u>

The Group's applicable tax rate in 2014 and 2013 is the income tax rate of 20% for Russian companies. This rate has been used in the calculation of deferred tax assets and liabilities.

In 2014 and 2013, some Group companies recalculated income tax for prior periods related to the deductibility for tax purposes of certain operating expenses which were previously capitalized in the tax value of property, plant and equipment and accelerated tax depreciation of property, plant and equipment operated in an aggressive environment. As a result, adjusted tax declarations were submitted to the tax authorities and income tax overprovided in prior periods was recognized. The tax value of property, plant and equipment was accordingly decreased, which resulted in an increase of deferred tax liabilities.

## 13 Income tax (expense)/benefit (continued)

### Income tax recognized in other comprehensive income

	2014			2013		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Available-for-sale financial assets	125	(22)	103	(123)	25	(98)
Foreign currency translation differences	650	-	650	26	-	26
Remeasurements of the defined benefit liability	3,023	(499)	2,524	(3,879)	752	(3,127)
	<b>3,798</b>	<b>(521)</b>	<b>3,277</b>	<b>(3,976)</b>	<b>777</b>	<b>(3,199)</b>

### Reconciliation of the effective tax rate

	Year ended 31 December 2014		Year ended 31 December 2013	
		%		%
Loss before income tax	(18,049)		(190,401)	
Income tax at the applicable tax rate	3,610	(20)	38,080	(20)
Effect of income taxed at lower rates	37	-	78	-
Non-deductible expenses	(10,328)	57	(5,888)	3
Change in tax base of property, plant and equipment	(1,231)	7	(3,861)	2
Adjustment for prior years	1,899	(11)	4,528	(2)
Unrecognized deferred tax assets	(195)	1	(1,925)	1
	<b>(6,208)</b>	<b>34</b>	<b>31,012</b>	<b>(16)</b>

## 14 Property, plant and equipment

	Land and buildings	Transmis- sion networks	Equipment for electricity transmission	Other	Construc- tion in progress	Total
<i>Cost/Deemed cost</i>						
<b>Balance at 1 January 2013</b>	<b>168,412</b>	<b>741,711</b>	<b>598,269</b>	<b>179,245</b>	<b>463,328</b>	<b>2,150,965</b>
Reclassification between groups	(270)	419	(47)	(102)	-	-
Additions	4,103	7,729	4,772	11,735	286,885	315,224
Transfer	22,925	132,073	116,315	28,203	(299,516)	-
Disposals	(520)	(1,073)	(4,383)	(1,497)	(2,468)	(9,941)
<b>Balance at 31 December 2013</b>	<b>194,650</b>	<b>880,859</b>	<b>714,926</b>	<b>217,584</b>	<b>448,229</b>	<b>2,456,248</b>
<b>Balance at 1 January 2014</b>	<b>194,650</b>	<b>880,859</b>	<b>714,926</b>	<b>217,584</b>	<b>448,229</b>	<b>2,456,248</b>
Reclassification between groups	(1,387)	1,553	(630)	464	-	-
Additions	1,281	4,822	1,432	5,463	246,078	259,076
Transfer	26,108	157,504	89,130	26,648	(299,390)	-
Disposals	(394)	(1,202)	(2,844)	(3,662)	(4,518)	(12,620)
<b>Balance at 31 December 2014</b>	<b>220,258</b>	<b>1,043,536</b>	<b>802,014</b>	<b>246,497</b>	<b>390,399</b>	<b>2,702,704</b>
<i>Depreciation and impairment</i>						
<b>Balance at 1 January 2013</b>	<b>(30,256)</b>	<b>(224,797)</b>	<b>(166,940)</b>	<b>(80,298)</b>	<b>(8,937)</b>	<b>(511,228)</b>
Reclassification between groups	(101)	(134)	(92)	43	284	-
Depreciation charge	(7,801)	(42,569)	(41,494)	(22,219)	-	(114,083)
Disposals	187	437	2,499	1,248	-	4,371
Impairment	(2,020)	(74,108)	(77,274)	(6,521)	(79,523)	(239,446)
<b>Balance at 31 December 2013</b>	<b>(39,991)</b>	<b>(341,171)</b>	<b>(283,301)</b>	<b>(107,747)</b>	<b>(88,176)</b>	<b>(860,386)</b>
<b>Balance at 1 January 2014</b>	<b>(39,991)</b>	<b>(341,171)</b>	<b>(283,301)</b>	<b>(107,747)</b>	<b>(88,176)</b>	<b>(860,386)</b>
Reclassification between groups	(376)	(12,893)	(8,065)	(1,404)	22,738	-
Depreciation charge	(8,597)	(47,034)	(42,510)	(22,920)	-	(121,061)
Disposals	125	599	1,725	2,166	(596)	4,019
Impairment	(11,347)	(33,897)	(20,974)	(3,464)	(12,008)	(81,690)
<b>Balance at 31 December 2014</b>	<b>(60,186)</b>	<b>(434,396)</b>	<b>(353,125)</b>	<b>(133,369)</b>	<b>(78,042)</b>	<b>(1,059,118)</b>
<i>Net book value</i>						
<b>At 31 December 2013</b>	<b>154,659</b>	<b>539,688</b>	<b>431,625</b>	<b>109,837</b>	<b>360,053</b>	<b>1,595,862</b>
<b>At 31 December 2014</b>	<b>160,072</b>	<b>609,140</b>	<b>448,889</b>	<b>113,128</b>	<b>312,357</b>	<b>1,643,586</b>

## 14 Property, plant and equipment (continued)

As at 31 December 2014, construction in progress includes advance payments for property, plant and equipment of RUB 21,128 million (31 December 2013: RUB 52,327 million) which are stated net of impairment provision of RUB 1,110 million (31 December 2013: RUB 1,357 million).

Capitalized borrowing costs for the year ended 31 December 2014 amounted to RUB 23,257 million (2013: RUB 23,426 million), with capitalization rates of 7.25%-12.5% (2013: 7.5%).

As at 31 December 2014 and 31 December 2013 there are no fixed assets pledged as collateral for loans (see Note 23).

In 2014 certain depreciation expenses have been capitalized to the cost of the constructions objects.

### *Impairment of property, plant and equipment*

As the indicators of impairment were revealed, the Group performed an impairment test of the property, plant and equipment for the cash generating units (CGU). The recoverable amount of CGUs was estimated based on the value in use. As a result, in 2014 the Group recognized an impairment loss on property, plant and equipment in the amount of RUB 81,690 million (2013: RUB 239,446 million):

<b>Cash generating units</b>	<b>Impairment loss, million rubles</b>
FGC	21,837
IDGC of Siberia	13,558
Lenenergo	9,881
IDGC of Centre	9,056
MOESK	8,513
Kubanenergo	4,598
IDGC of Center and Volga Region	3,837
IDGC of North Caucasus	3,781
IDGC of South	1,984
IDGC of North West	1,912
IDGC of Ural	1,496
Chechenenergo	1,237

Recoverable amount for all CGU's is determined as value in use by discounting of projected cash flows at the weighted average cost of capital (WACC) within the range of 10.03% - 12.60% (2013: 10.45%-13.66%).

## 15 Intangible assets

	<u>Software</u>	<u>Licenses and certificates</u>	<u>Other intangible assets</u>	<u>Total</u>
<b>Cost</b>				
As of January 1, 2013	14,398	234	6,221	20,853
Additions	2,505	115	2,341	4,961
Disposals	(346)	(66)	(714)	(1,126)
<b>As of December 31, 2013</b>	<b>16,557</b>	<b>283</b>	<b>7,848</b>	<b>24,688</b>
<b>As of January 1, 2014</b>	<b>16,557</b>	<b>283</b>	<b>7,848</b>	<b>24,688</b>
Additions	2,129	84	3,153	5,366
Disposals	(2,034)	(96)	(2,239)	(4,369)
<b>As of December 31, 2014</b>	<b>16,652</b>	<b>271</b>	<b>8,762</b>	<b>25,685</b>
<b>Amortization and impairment</b>				
As of January 1, 2013	(4,374)	(163)	(2,394)	(6,931)
Amortization charge	(1,600)	(97)	(278)	(1,975)
Disposals	316	65	426	807
Impairment	–	–	(32)	(32)
<b>As of December 31, 2013</b>	<b>(5,658)</b>	<b>(195)</b>	<b>(2,278)</b>	<b>(8,131)</b>
<b>As of January 1, 2014</b>	<b>(5,658)</b>	<b>(195)</b>	<b>(2,278)</b>	<b>(8,131)</b>
Amortization charge	(4,540)	(36)	(428)	(5,004)
Disposals	1,099	86	565	1,750
<b>As of December 31, 2014</b>	<b>(9,099)</b>	<b>(145)</b>	<b>(2,141)</b>	<b>(11,385)</b>
<b>Net book value</b>				
As of December 31, 2013	10,899	88	5,570	16,557
As of December 31, 2014	7,553	126	6,621	14,300

## 16 Other investments and financial assets

	<u>31 December 2014</u>	<u>31 December 2013</u>
<i>Non-current</i>		
Available-for-sale financial assets	14,019	19,719
Financial assets held to maturity	2,381	874
Assets related to employee defined benefits plans (see Note 24)	6,552	6,716
	<b>22,952</b>	<b>27,309</b>
<i>Current</i>		
Financial assets held to maturity	17,908	53,306
	<b>17,908</b>	53,306

Available-for-sale financial assets are mainly represented by marketable securities stated at fair value, most of which are represented by equity investments in OJSC Inter RAO.

Bank deposits with an original maturity of more than three months were placed with a number of banks bearing an interest of 6.64%-12.75% per annum.

The Group's exposure to credit risk and impairment losses related to other investments and financial assets are disclosed in Note 27.

## 17 Deferred tax assets and liabilities

### (a) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Property, plant and equipment	1,529	3,685	(47,565)	(51,545)	(46,036)	(47,860)
Intangible assets	470	614	(81)	(42)	389	572
Investments in associates and joint ventures	5,643	3,829	(336)	(325)	5,307	3,504
Inventories	750	585	(91)	(47)	659	538
Trade and other receivables and prepayments	9,396	8,952	(3,246)	(1,042)	6,150	7,910
Finance leases	501	649	-	-	501	649
Loans and borrowings	8	-	(284)	(296)	(276)	(296)
Provisions	4,699	1,434	-	-	4,699	1,434
Employee benefits	2,595	3,604	(208)	(101)	2,387	3,503
Trade and other payables	2,688	1,787	(51)	575	2,637	2,362
Tax loss carry-forwards	5,283	6,522	-	(22)	5,283	6,500
Other	979	1,173	(310)	(246)	669	927
<b>Tax assets/(liabilities)</b>	<b>34,541</b>	<b>32,834</b>	<b>(52,172)</b>	<b>(53,091)</b>	<b>(17,631)</b>	<b>(20,257)</b>
Set-off of tax	(17,783)	(14,376)	17,783	14,376	-	-
Unrecognized deferred tax assets	(9,641)	(9,446)	-	-	(9,641)	(9,446)
<b>Net tax assets/(liabilities)</b>	<b>7,117</b>	<b>9,012</b>	<b>(34,389)</b>	<b>(38,715)</b>	<b>(27,272)</b>	<b>(29,703)</b>

### (b) Unrecognized deferred tax liabilities

At 31 December 2014, a deferred tax liability for temporary differences of RUB 98,993 million (31 December 2013: RUB 129,574 million) related to an investment in subsidiaries was not recognized because the Group controls settlements of the liability will be incurred, and it is satisfied that it will not be incurred in the foreseeable future.

## 17 Deferred tax assets and liabilities (continued)

### (c) Unrecognized deferred tax assets

Deferred tax assets have not been recognized with respect to the following items:

	31 December 2014	31 December 2013
Deductible temporary differences	31,975	23,058
Tax losses	16,231	24,171
<b>Total</b>	<b>48,206</b>	<b>47,229</b>
<b>Unrecognized deferred tax assets at the applicable tax rate</b>	<b>9,641</b>	<b>9,446</b>

The deductible temporary differences do not expire under current tax legislation. Tax losses may be carried forward and utilized for up to 10 years. Deferred tax assets have not been recognized with respect to tax losses and deductible temporary differences because it is not probable that future taxable profit will be available, against which the loss-making Group's companies can utilize the benefits.

As at 31 December 2014 the amount of accumulated tax losses of the Group incurred during the period from 2005 to 2014, is 26 623 RUB million.

### Movement in temporary differences during the year

	1 January 2014	Recognized in profit or loss	Recognized in other comprehensive income	31 December 2014
Property, plant and equipment	(47,860)	1,824	-	(46,036)
Intangible assets	572	(183)	-	389
Investments in associates and joint ventures	3,504	1,825	(22)	5,307
Inventories	538	121	-	659
Trade and other receivables and prepayments	7,910	(1,760)	-	6,150
Finance leases	649	(148)	-	501
Loans and borrowings	(296)	20	-	(276)
Provisions	1,434	3,265	-	4,699
Employee benefits	3,503	(617)	(499)	2,387
Trade and other payables	2,362	275	-	2,637
Tax loss carry-forwards	6,500	(1,217)	-	5,263
Other	927	(258)	-	669
Unrecognized deferred tax assets	(9,446)	(195)	-	(9,641)
	<b>(29,703)</b>	<b>2,952</b>	<b>(521)</b>	<b>(27,272)</b>

## 17 Deferred tax assets and liabilities (continued)

### Movement in temporary differences during the year (continued)

	1 January 2013	Recognized in profit or loss	Recognized in other comprehensive income	31 December 2013
Property, plant and equipment	(80,318)	32,458	-	(47,860)
Intangible assets	636	(64)	-	572
Investments in associates and joint ventures	(2,650)	6,129	25	3,504
Inventories	490	48	-	538
Trade and other receivables and prepayments	6,443	1,467	-	7,910
Finance leases	2,515	(1,866)	-	649
Loans and borrowings	(443)	147	-	(296)
Provisions	2,273	(839)	-	1,434
Employee benefits	2,697	54	752	3,503
Trade and other payables	1,557	805	-	2,362
Tax loss carry-forwards	4,753	1,747	-	6,500
Other	852	75	-	927
Unrecognized deferred tax assets	(7,521)	(1,925)	-	(9,446)
	<b>(68,716)</b>	<b>38,236</b>	<b>777</b>	<b>(29,703)</b>

## 18 Inventories

	31 December 2014	31 December 2013
Raw materials and consumables	13,786	13,649
Impairment of raw materials	(380)	(559)
Other inventories	13,476	11,085
Impairment of other inventories	(252)	(255)
<b>Net realizable value</b>	<b>26,630</b>	<b>23,920</b>

## 19 Trade and other receivables

	<u>31 December 2014</u>	<u>31 December 2013</u>
<b>Non-current accounts receivable</b>		
Trade receivables	893	612
Trade receivables impairment allowance	(43)	(142)
Other receivables	350	197
Other receivables impairment allowance	-	(1)
Loans	141	39
<b>Total financial assets</b>	<b><u>1,341</u></b>	<b><u>705</u></b>
Advances given	14,591	15,162
Advances given impairment allowance	(10,992)	(9,828)
VAT recoverable	2,031	1,403
	<b><u>6,971</u></b>	<b><u>7,442</u></b>
<b>Current accounts receivable</b>		
Trade receivables	166,924	136,506
Trade receivables impairment allowance	(53,511)	(41,678)
Other receivables	27,712	13,011
Other receivables impairment allowance	(7,356)	(3,846)
Loans	706	147
<b>Total financial assets</b>	<b><u>128,475</u></b>	<b><u>104,140</u></b>
Advances given	8,612	6,771
Advances given impairment allowance	(1,433)	(1,529)
VAT recoverable	19,571	33,954
Prepaid taxes, other than income tax and VAT	551	608
	<b><u>155,776</u></b>	<b><u>143,944</u></b>

The Group's exposure to credit risks and impairment losses related to trade and other receivables are disclosed in Note 27.

## 20 Cash and cash equivalents

	<u>31 December 2014</u>	<u>31 December 2013</u>
Cash in state-controlled banks	39,515	44,377
Cash in banks not controlled by state	7,812	7,511
Deposits in state-controlled banks	35,002	4,936
Deposits in other banks	94	4,861
Cash equivalents	<u>153</u>	<u>232</u>
Cash and cash equivalents in the consolidated statement of cash flows and consolidated statement of financial position	<u><b>82,576</b></u>	<u><b>61,917</b></u>

Cash equivalents primarily consist of bank deposits with an original maturity of less than three months placed with a number of banks bearing an interest of 9.8%-15.0% per annum.

## 21 Equity

### (a) Share capital

*Number of shares unless otherwise stated*

	<u>Ordinary shares</u>		<u>Preference shares</u>	
	<u>31 December 2014</u>	<u>31 December 2013</u>	<u>31 December 2014</u>	<u>31 December 2013</u>
Par value	RUB 1	RUB 1	RUB 1	RUB 1
On issue at 1 January	161,078,853,310	47,871,694,416	2,075,149,384	2,075,149,384
Issued for cash	-	9,387,293,206 4/31*	-	-
Issued for FGC acquisition	-	103,819,865,687 27/31*	-	-
On issue at end of year, fully paid	<u>161,078,853,310</u>	<u>161,078,853,310</u>	<u>2,075,149,384</u>	<u>2,075,149,384</u>

*\* fraction of shares*

### (b) Ordinary and preference shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the Company shareholders' meetings.

Holders of preference shares are entitled to an annual dividend equal to 10% of net statutory profit divided by 25% of all shares. If the amount of dividends paid by the Company for each ordinary share in a given year exceeds the amount payable as a dividend on each preference share, the dividend rate payable on the latter must be increased to the amount of dividends on ordinary shares.

Preference shares carry the right to vote on all issues within the competence of general shareholders' meetings following the Annual Shareholders' Meeting at which a decision not to pay (or not to pay the full amount of) dividends on preference shares was taken. The right of preference shareholders to vote at general shareholders' meetings ceases from the date of the first full payment of dividends on such shares. The dividend is not cumulative, however. The preference shares also

## 21 Equity (continued)

### (b) Ordinary and preference shares (continued)

carry the right to vote, but this right is limited according to the amendments of the Company Charter, which include reorganization and liquidation.

In the event of liquidation, preference shareholders receive any declared unpaid dividends and the par value of the preference shares. Thereafter all shareholders, ordinary and preference, participate equally in the distribution of the remaining assets.

### (c) Changes in ownership interests of subsidiaries

#### *Shares issued by subsidiaries*

On 5 June 2013, an Extraordinary General Meeting of Shareholders of JSC Chechenenergo, the Group's subsidiary, approved an increase in charter capital through the issuance of an additional 8,383,427,634 ordinary shares with a par value of RUB 1 each under a closed subscription. The approved offering price was RUB 1. This share issuance was registered by the Federal Service for Financial Markets on 18 July 2013. In 2013, 4,275,548,093 shares were subscribed by the Company. As at 31 December 2013, the Republic of Chechnya transferred property, plant and equipment to JSC Chechenenergo as prepayment for 1,581,437,865 shares of additional issued. Additional capital of RUB 1,581 million attributable to non-controlling shareholders was recognized as a non-controlling interest as at 31 December 2013. The Group recognized an increase in retained earnings and a decrease in non-controlling interest in the amount of RUB 307 million. In 2014 the Ministry of Property Relations of Chechen Republic acquired 1,608,545,572 shares of this issue. As a result the effect of the non-controlling interest increase was recognized in the amount of 27 million rubles. The completion of the share issue resulted in increase of the Group's interest in OJSC Chechenenergo from 51% to 72.66%.

On 18 March 2013, the Board of Directors of FGC, the Group's subsidiary, approved an increase in charter capital through the issuance of an additional 9,431,399,773 ordinary shares with a par value of RUB 0.5 each under an open subscription. The approved offering price was RUB 0.5. This share issuance was registered by the Central Bank of Russia financial markets service on 21 November 2013. In 2013, 7,524,307,067 shares were subscribed by existing non-controlling shareholders who paid RUB 3,762 million. Additional capital of RUB 3,762 million attributable to non-controlling shareholders was recognized as a non-controlling interest as at 31 December 2013. In 2013 the Group recognized an increase in retained earnings and a decrease in non-controlling interest in the amount of RUB 380 million. As a result of the share issue completion in 2014 the Group's interest in OJSC FGD UES decreased from 80.6% to 80.15%.

On 20 June 2013, an Annual General Meeting of Shareholders of JSC Lenenergo, the Group's subsidiary, approved an increase in charter capital through the issuance of an additional 926,876,304 ordinary shares with a par value of RUB 1 each under an open subscription. The approved offering price was RUB 6.06. This share issuance was registered by the Central Bank of Russia financial markets service on 10 September 2013. In 2013, 495,049,505 shares were subscribed by the Company for RUB 3,000 million. The Group recognized an increase in retained earnings and a decrease in non-controlling interest in the amount of RUB 5,074 million.

The Group acquired 28,685,116 of shares from this issue in 2014 for the cash consideration of 174 million ruble. The transaction was recorded as a reduction in the non-controlling interest and increase of the retained earnings in the amount of 194 million ruble. The Group's interest in OJSC Lenenergo increased from 53.71% to 67.55% following the completion of the issue.

## 21 Equity (continued)

### (d) Dividends

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.

At the annual shareholders meeting held on 28 June 2013, the decision was made not to declare dividends for ordinary and preference shares according to the results of 2012 and to declare dividends for preference shares in the amount of RUB 0.08 per share from the previous year's retained earnings in the total amount of RUB 166 million.

On 30 June 2014 the General Shareholders Meeting of the Company decided not to declare dividends on preference and common shares of the Company for 2013. During 2014 no dividends were declared or paid by the Company either.

Information regarding treasury shares is presented below:

31 December 2014			31 December 2013		
Number of shares, mln.		Book value, mln. RUB	Number of shares, mln.		Book value, mln. RUB
Ordinary	Preference		Ordinary	Preference	
1,491	308	2,725	1,511	308	2,819

## 22 Loss per share

The calculation of basic earnings/(loss) per share for 2014 was based on the loss attributable to ordinary shareholders of RUB 15,355 million (31 December 2013: loss of RUB 132,113 million), and a weighted average number of ordinary shares outstanding of 159,588 million (31 December 2013: 158,698 million), calculated as shown below. The Company has no dilutive financial instruments.

<i>In millions of shares</i>	2014	2013
<b>Issued shares at 1 January</b>	<b>161,079</b>	<b>47,872</b>
Effect of treasury shares	(1,491)	(1,511)
Effect of shares issued for FGC	-	102,578
Effect of shares issue	-	9,759
<b>Weighted average number of shares for the year ended 31 December</b>	<b>159,588</b>	<b>158,698</b>
	<b>Year ended 31 December 2014</b>	<b>Year ended 31 December 2013</b>
<b>Weighted average number of ordinary shares for the year ended 31 December (millions of shares)</b>	<b>159,588</b>	<b>158,698</b>
<b>Total loss attributable to holders of ordinary shares</b>	<b>(15,355)</b>	<b>(132,113)</b>
<b>Loss per ordinary share (in RUB) – basic and diluted</b>	<b>(0.096)</b>	<b>(0.832)</b>

## 23 Loans and borrowings

This note provides information about the contractual terms of the Group's loans and borrowings and financial lease liabilities, which are measured at amortized cost.

	<u>31 December 2014</u>	<u>31 December 2013</u>
<i>Non-current liabilities</i>		
Unsecured loans	253,091	219,771
Unsecured bonds	300,842	324,858
Finance lease liabilities	909	1,391
Less: current portion of long-term finance lease liabilities	(225)	(643)
Less: current portion of long-term loans	(20,598)	(18,183)
Less: current portion of long-term bonds	(48,610)	(34,965)
	<u><b>485,409</b></u>	<u><b>492,229</b></u>
<i>Current liabilities</i>		
Unsecured loans	23,431	3,642
Promissory notes	363	375
Current portion of long-term finance lease liabilities	225	643
Current portion of long-term loans	20,598	18,183
Current portion of long-term bonds	48,610	34,965
	<u><b>93,227</b></u>	<u><b>57,808</b></u>

## 23 Loans and borrowings (continued)

### Terms and conditions of loans and borrowings

Terms and conditions of outstanding loans were as follows:

	Currency	Year of maturity	31 December 2014	31 December 2013	31 December 2014		31 December 2013	
			Nominal interest rate	Nominal interest rate	Face value	Carrying value	Face value	Carrying value
<b>Unsecured loans</b>								
Unsecured bank loans *	RUB	2015-2025	7.00-12.60%	6.87-11.2%	175,533	173,360	148,421	148,421
Unsecured bank loans	RUB	2015-2017	8.25-11.80%	7.31-11.2%	11,020	11,020	3,054	3,054
Unsecured bank loans*	RUB	2015-2019	7.64-20%	7.64-12%	29,709	29,495	29,329	29,329
Unsecured bank loans	RUB	2015-2017	7.85-11.67%	8%	4,356	4,224	3,800	3,800
Unsecured bank loans *	RUB	2015-2019	7.11-23%	7.11-9.8%	30,894	30,894	21,893	21,893
Unsecured bank loans *	RUB	2014	-	MosPrime+2.4212%	-	-	6,000	6,000
Unsecured bank loans *	RUB	2015	7.92-9.0%	7.92-8.45%	3,404	3,404	4,336	4,336
Unsecured bank loans	RUB	2015-2017	8.75-17.0%	8.75%	10,164	10,164	4,025	4,025
Unsecured bank loans	RUB	2016-2021	8.28-12.75%	7.65-12.75%	639	639	1,166	1,166
Unsecured bank loans	RUB	2015	11-14%	11-12%	822	822	732	732
Unsecured bank loans	RUB	2017	16.08%	-	1,500	1,500	-	-
Unsecured bank loans	RUB	2015	11.85%	-	2,000	2,000	-	-
Unsecured bank loans	RUB	2016	9.7-11.0%	11.3%	400	400	400	400
Unsecured bank loans	RUB	2015	13.5%	13.5%	83	83	76	76
Unsecured bank loans	RUB	2017	11.29-11.40%	-	3,761	3,451	-	-
Unsecured bank loans*	RUB	2017-2018	10.92-14%	13-14%	5,005	5,005	6	6
Unsecured bank loans	RUB	2014	-	12.5%	-	-	60	60
Unsecured bank loans	RUB	2014	-	7.94%	-	-	52	52
Unsecured loans*	RUB				46	46	50	50
Unsecured loans	RUB	2015	0-10%	0-8.25%	13	13	14	14
					<b>279,349</b>	<b>276,522</b>	<b>223,414</b>	<b>223,414</b>

	Currency	Year of maturity	31 December 2014	31 December 2013	31 December 2014		31 December 2013	
			Nominal interest rate	Nominal interest rate	Face value	Carrying value	Face value	Carrying value
<b>Promissory notes</b>								
Promissory notes	RUB	On demand	0%	0%	363	363	368	368
Promissory notes	RUB	2014	-	0%	-	-	7	7
					<b>363</b>	<b>363</b>	<b>375</b>	<b>375</b>
<b>Bonds</b>								
Unsecured bonds	RUB	2015-2028	7.95-10.30%	7.5-8.75%	110,000	87,305**	112,128	112,128
Unsecured bonds	RUB	2022-2048	CPI+1-2.5% <sup>1</sup>	CPI+1-2.5%	110,000	111,383	111,091	111,091
Unsecured bonds	RUB	2019	8.45%	8.45%	17,500	17,943	17,943	17,943
Unsecured bonds	RUB	2014	-	8.10%	-	-	4,685	4,685
Unsecured bonds	RUB	2017-2024	9.3%	0%	1,082	740	981	717
Unsecured bonds	RUB	2015-2020	7.5-8.25%	8.5-8.8%	50,000	45,685**	45,675	45,675
Unsecured bonds	RUB	2015-2024	8.5-11.5%	8.5-8.8%	20,512	20,498	15,362	15,344
Unsecured bonds	RUB	2015	9.044%	9.044%	4,076	4,072	4,075	4,066
Unsecured bonds	RUB	2015	9.15%	9.15%	4,015	4,015	4,014	4,014
Unsecured bonds	RUB	2016-2017	8.25-8.50%	8.53-8.75%	6,103	6,095	6,102	6,089
Unsecured bonds	RUB	2016	8.4%	8.4%	3,106	3,106	3,105	3,105
					<b>326,394</b>	<b>300,842</b>	<b>325,161</b>	<b>324,857</b>
<b>Financial lease liabilities</b>	RUB	2015-2016	8%	8%	<b>909</b>	<b>909</b>	<b>1,391</b>	<b>1,391</b>
<b>Total debt</b>					<b>607,015</b>	<b>578,636</b>	<b>550,341</b>	<b>550,037</b>

\* Loans from state-controlled entities.

\*\* Carrying value differs due to redemption of some bond issues as of 31 December 2014.

<sup>1</sup> Consumer price index - CPI

## 23 Loans and borrowings (continued)

At 31 December 2014 and 31 December 2013, bank loans were not secured over property, plant and equipment.

The nominal interest rate is the market interest rate applicable to the loans at the date of origination for fixed rate loans and the current market rate for floating rate loans. The Group has not entered into any hedging arrangements with respect to interest rate exposures.

For more information about the Group's exposure to interest rate risk, see Note 27.

Unused credit lines amounted to RUB 182,352 million at 31 December 2014 (RUB 236,517 million as at 31 December 2013).

Financial lease liabilities are payable as follows:

	31 December 2014			31 December 2013		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	317	92	225	782	139	643
Between one and five years	763	142	621	911	163	748
More than five years	70	7	63	-	-	-
	<b>1,150</b>	<b>241</b>	<b>909</b>	<b>1,693</b>	<b>302</b>	<b>1,391</b>

The financial lease liabilities are secured by leased assets.

## 24 Employee benefits

The Group has a defined benefit pension and other long-term defined benefit plans that cover most full-time and retired employees. Defined post-employment benefits consist of several unfunded plans providing for lump-sum payments upon retirement, financial support for current pensioners, death benefits, and anniversary benefits.

The table below summarizes the amounts of defined benefit obligations recognized in the financial statements.

Amounts recognized in the consolidated statement of financial position:

	31 December 2014	31 December 2013
Present value of post-employment benefits obligation	24,544	27,883
Present value of other long-term employee benefit obligation	968	1,088
<b>Total present value of employee benefit obligation</b>	<b>25,512</b>	<b>28,971</b>

## 24 Employee benefits (continued)

Change in the value of assets related to employee benefit obligations:

	Year ended 31 December 2014	Year ended 31 December 2013
<b>Value of assets at 1 January</b>	<b>6,716</b>	<b>6,568</b>
Return on plan assets	316	161
Employer contributions	1,788	2,043
Other movements in the accounts	(131)	(65)
Payment of remuneration	(2,137)	(1,991)
<b>Value of assets at 31 December</b>	<b>6,552</b>	<b>6,716</b>

Assets related to pension plans and defined benefit plans are administrated to non-state pension funds NPF Elektroenergetiki and Professionalny. The assets are not the fund's assets, since it was agreed between the Group and the fund that the Group had discretion to offset the contributions paid against future contributions or against other plans, or to switch to another provider at its own initiative.

Movements in the net defined benefit liability are as follows:

	Year ended 31 December 2014		Year ended 31 December 2013	
	Post- employment benefits obligation	Other long- term employee benefit obligation	Post- employment benefits obligation	Other long- term employee benefit obligation
<b>Defined benefit plan obligations as at the beginning of the year</b>	27,883	1,088	23,272	1,006
Current service cost	1,566	108	1,307	103
Past service cost	(1,222)	(17)	253	(10)
Interest cost	1,961	73	1,611	70
Remeasurement of the defined benefit liability arising from:				
– Actuarial loss arising from demographic assumptions	544	15	3,367	7
– Actuarial gain arising from financial assumptions	(3,869)	(145)	(2,017)	(75)
– Actuarial loss/ (gain) arising from experience adjustment	302	(11)	2,529	125
Benefits paid	(2,621)	(143)	(2,439)	(138)
<b>Defined benefit plan obligations as at the end of the year</b>	<b>24,544</b>	<b>968</b>	<b>27,883</b>	<b>1,088</b>

## 24 Employee benefits (continued)

Amounts recognized in profit or loss are as follows:

	<b>Year ended 31 December 2014</b>	<b>Year ended 31 December 2013</b>
Service cost	435	1,653
Remeasurement of other long-term employee benefit obligation	(141)	57
Interest expenses	2,034	1,681
<b>Total expenses recognized in profit or loss</b>	<b>2,328</b>	<b>3,391</b>

Amounts recognized in other comprehensive income are as follows:

	<b>Year ended 31 December 2014</b>	<b>Year ended 31 December 2013</b>
Actuarial loss arising from demographic assumptions	544	3,367
Actuarial gain arising from financial assumptions	(3,869)	(2,017)
Actuarial loss arising from experience adjustment	302	2,529
<b>Total actuarial (gain)/loss recognized in other comprehensive income</b>	<b>(3,023)</b>	<b>3,879</b>

Movements in remeasurement of employee benefit obligation that was recognized in other comprehensive income during the year are as follows:

	<b>Year ended 31 December 2014</b>	<b>Year ended 31 December 2013</b>
Remeasurements at 1 January	10,681	6,802
Movement for the period	(3,023)	3,879
<b>Remeasurements at 31 December</b>	<b>7,658</b>	<b>10,681</b>

The significant actuarial assumptions are as follows:

	<b>31 December 2014</b>	<b>31 December 2013</b>
<b>Financial actuarial assumptions</b>		
Discount rate, annual (nominal)	12%	8%
Future inflation rate	7%	5%
Future salary increase (nominal)	7%	5%
<b>Demographic actuarial assumptions</b>		
Expected age of retirement:		
Men	60	60
Women	55	55
Average level of staff movement	6.5%	7%

## 24 Employee benefits (continued)

A sensitivity of employee benefits obligation to changes in significant actuarial assumptions is as follows:

	<u>Change in the assumption</u>	<u>Impact on obligation</u>
Discount rate	Increase/decrease by 0.5%	Decrease/increase by 3.38%
Future salary growth	Increase/decrease by 0.5%	Increase/decrease by 1.62%
Future growth of benefits (inflation)	Increase/decrease by 0.5%	Increase/decrease by 1.93%
Average level of staff movement	Increase/decrease by 10%	Decrease/increase by 1.32%
Mortality	Increase/decrease by 10%	Decrease/increase by 0.78%

	<u>31 December 2014</u>	<u>31 December 2013</u>
Defined benefit liability	(25,512)	(28,971)
Assets related to the employee benefit plans	6,552	6,716
<b>Total</b>	<b>(18,960)</b>	<b>(22,255)</b>

Expected payments under the defined long-term benefit plans to employees in 2015 are RUB 2,948 million, including:

- RUB 2,810 million under the defined benefit plans (including non-state pension schemes);
- RUB 138 million under the other long-term employee benefit schemes.

## 25 Trade and other payables

	<u>31 December 2014</u>	<u>31 December 2013</u>
<b>Non-current accounts payable</b>		
Trade payables	331	168
Other payables	204	1,218
<b>Total financial liabilities</b>	<b>535</b>	<b>1,386</b>
Advances from customers	17,316	13,101
	<b>17,851</b>	<b>14,487</b>
<b>Current accounts payable</b>		
Trade payables	162,850	135,009
Other payables and accrued expenses	9,970	5,954
Payables to employees	16,297	16,242
Dividends payable	81	69
<b>Total financial liabilities</b>	<b>189,198</b>	<b>157,274</b>
Advances from customers	67,041	73,734
	<b>256,239</b>	<b>231,008</b>
<b>Taxes payable</b>		
Value-added tax	5,776	5,294
Property tax	2,706	1,851
Social security contributions	3,404	2,132
Other taxes payable	344	981
	<b>12,230</b>	<b>10,258</b>
	<b>268,469</b>	<b>241,266</b>

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 25.

## 26 Provisions

	<u>2014</u>	<u>2013</u>
<b>Balance at 1 January</b>	<b>10,397</b>	<b>14,566</b>
Provisions accrued during the year	15,310	8,170
Provisions reversed during the year	(3,174)	(6,505)
Provisions used during the year	(3,662)	(5,834)
<b>Balance at 31 December</b>	<b>18,871</b>	<b>10,397</b>

Provisions relate to legal proceedings and unsettled claims against the Group in the day-to-day terms of business.

## 27 Financial risk management

### a. Overview

The Group is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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 management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Group's principal objective when managing capital risk is to sustain its creditworthiness and a normal level of capital adequacy for doing business as a going concern, in order to ensure returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of borrowed capital.

The Group's risk management policies deal with identifying and analyzing the risks faced by the Group, setting appropriate risk limits and controls, and monitoring 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 internal policies, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

### b. 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.

#### *i. Trade and other receivables*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk.

To manage credit risk, the Group attempts, to the extent possible, to demand prepayments from customers. As a rule, prepayment for connection services is stipulated by a contract and depends on the amount of capacity to be connected.

The Group does not require collateral with respect to trade and other receivables and other financial assets.

The Group establishes an allowance for impairment that represents its estimate of anticipated losses with respect to trade and other receivables that relate to individually significant exposures.

## 27 Financial risk management (continued)

### Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	31 December 2014	31 December 2013
Promissory notes	3,086	2,425
Loans and receivables	129,816	104,845
Bank deposits, cash and cash equivalents	110,051	113,599
	<b>242,953</b>	<b>220,869</b>

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Carrying amount	
	31 December 2014	31 December 2013
North-West region	22,679	11,619
Central region	40,991	59,488
Ural and Volga region	20,930	9,307
South region	15,496	10,442
Siberian region	13,997	3,999
Other regions	170	443
	<b>114,263</b>	<b>95,298</b>

The Group's ten most significant debtors account for RUB 27,110 million of the trade receivables carrying amount at 31 December 2014 (2013: RUB 26,058 million).

### Impairment losses of trade and other receivables

The aging of receivables at the reporting date was:

	Gross	Impairment	Gross	Impairment
	31 December	31 December	31 December	31 December
	2014	2014	2013	2013
Not past due	77,004	(3,805)	65,040	(940)
Past due less than 3 months	28,496	(2,451)	24,025	(2,154)
Past due more than 3 months and less than 6 months	12,837	(3,246)	8,745	(2,818)
Past due more than 6 months and less than 1 year	20,039	(7,485)	19,799	(12,025)
Past due more than 1 year	51,503	(43,923)	32,717	(27,730)
	<b>189,879</b>	<b>(60,910)</b>	<b>150,326</b>	<b>(45,667)</b>

## 27 Financial risk management (continued)

The movement in the allowance for impairment with respect to trade and other receivables during the year was as follows:

	<u>2014</u>	<u>2013</u>
<b>Balance at 1 January</b>	<b>(45,667)</b>	<b>(31,621)</b>
Increase during the period	(28,874)	(26,315)
Allowance utilized	10,589	1,940
Decrease due to reversal	3,042	10,329
<b>Balance at 31 December</b>	<b>(60,910)</b>	<b>(45,667)</b>

The allowance accounts with respect to trade and other receivables and bank deposits are used to record impairment losses, unless the Group is satisfied that no recovery of the amount owned is possible; at that point the amount is considered irrecoverable and written off against the financial asset directly.

### Impairment of receivables

	<u>31 December 2014</u>	<u>31 December 2013</u>
Not overdue, not impaired receivables	73,199	64,100
Not overdue impaired receivables	3,805	940
Overdue, not impaired receivables	55,770	40,559
Overdue impaired receivables	57,105	44,727
	<b>189,879</b>	<b>150,326</b>

The Group analyzed that not impaired past due accounts receivable are recoverable with the high level of probability.

### c. 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.

As stated in Note 23 the unused credit lines of Group amounted to 182,352 million rubles at 31 December 2014 (236,517 million rubles at 31 December 2013). The Group has opportunity to attract additional financing within the corresponding limits, including for the purpose of execution of the short-term obligations.

## 27 Financial risk management (continued)

The contractual maturities of financial liabilities presented, including estimated interest payments and excluding the impact of netting agreements:

### 31 December 2014

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>0-1 years</u>	<u>1-2 years</u>	<u>2-3 years</u>	<u>3-4 years</u>	<u>4-5 years</u>	<u>Over 5 years</u>
<b>Non-derivative financial liabilities</b>								
Loans	276,522	339,869	67,377	105,507	84,907	76,406	925	4,746
Bond issued	300,842	494,494	81,620	53,008	42,819	32,020	26,988	258,039
Promissory notes	363	363	363	-	-	-	-	-
Finance lease	909	1,150	317	213	181	339	30	70
Trade and other payables	189,733	188,197	187,128	619	241	31	21	157
	<b><u>768,369</u></b>	<b><u>1,024,073</u></b>	<b><u>336,805</u></b>	<b><u>159,347</u></b>	<b><u>128,148</u></b>	<b><u>108,796</u></b>	<b><u>27,964</u></b>	<b><u>263,012</u></b>

### 31 December 2013

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>0-1 years</u>	<u>1-2 years</u>	<u>2-3 years</u>	<u>3-4 years</u>	<u>4-5 years</u>	<u>Over 5 years</u>
<b>Non-derivative financial liabilities</b>								
Loans	223,413	278,150	38,523	54,385	99,120	22,040	57,179	6,903
Bond issued	324,858	647,759	59,178	65,485	57,474	40,704	33,728	391,190
Promissory notes	375	375	375	-	-	-	-	-
Finance lease	1,391	1,693	782	279	174	150	308	-
Trade and other payables	158,660	161,389	160,848	415	70	16	17	23
	<b><u>708,697</u></b>	<b><u>1,089,366</u></b>	<b><u>259,706</u></b>	<b><u>120,564</u></b>	<b><u>156,838</u></b>	<b><u>62,910</u></b>	<b><u>91,232</u></b>	<b><u>398,116</u></b>

## 27 Financial risk management (continued)

### d. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return.

#### i. Currency risk

Currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates.

The majority of the Group's revenues and expenditures, monetary assets and liabilities are denominated in RUB, and as such financial results are insignificantly impacted by changes in exchange rates.

#### ii. Interest rate risk

The Group obtains borrowings mostly at fixed rates and is subject to a limited risk of changes in interest rates.

Management does not have a formal policy for determining how much of the Group's exposure should be to fixed or variable rates. However, when making a decision about new loans and borrowings, management gives priority to loans and borrowings with fixed rates. As a rule, loan agreements entered into by the Group do not contain any charges for the early repayment of loans on the borrower's initiative, which facilitates additional flexibility in relation to optimizing interest rates in the current economic environment.

#### **Fair value sensitivity analysis for fixed rate instruments**

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

#### **Cash flow sensitivity analysis for variable rate instruments**

As at 31 December 2014 variable rate financial liabilities of the Group were RUB 110,000 million (31 December 2013: 116,000 million). A reasonably possible change of 100 basis points in interest rates at 31 December 2014 would have increased (decreased) equity and profit or loss (net of taxes) by RUB 721 million (2013: RUB 928 million). This analysis assumes that all other variables remain constant.

#### iii. Other market price risk

Equity price risk arises from available-for-sale equity securities. Management of the Group monitors its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by Management. As at 31 December 2014, available-for-sale investments exposed to equity price risk of the Group were RUB 14,019 million (31 December 2012: RUB 19,719 million).

## 27 Financial risk management (continued)

### e. Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	Note	31 December 2014		31 December 2013	
		Carrying amount	Fair value	Carrying amount	Fair value
Loans and receivables	19	129,816	129,816	104,845	104,845
Available-for-sale financial assets	16	14,019	14,019	19,719	19,719
Financial assets held to maturity	16	20,289	20,289	54,180	54,180
Bank deposits, cash and cash equivalents	20	82,576	82,576	61,917	61,917
Non-current and current debt	23	(578,636)	(510,196)	(550,037)	(618,692)
Trade and other payables	25	(189,733)	(189,733)	(158,660)	(158,660)
		<u>(521,669)</u>	<u>(453,229)</u>	<u>(468,036)</u>	<u>(536,691)</u>

The basis for determining the disclosed fair values is described in Note 4 and below.

The interest rate used to discount estimated cash flows for non-current and current debt for the determination of fair value as at 31 December 2014 was 12.20% (31 December 2013: 11.46%-11.48%).

As at 31 December 2014, the estimated fair value of non-current debt (including the current portion) with fixed rates was RUB 129,377 million (as at 31 December 2013: RUB 173,627 million), which was measured using the market prices for quoted FGC UES bonds (Level 1 inputs) as at 31 December 2014. The carrying amount of this non-current debt was RUB 147,771 million (as at 31 December 2013: RUB 172,349 million).

As at 31 December 2014, the estimated fair value of non-current debt (including the current portion) with variable rates (bonds Series 22) was RUB 9,746 million (as at 31 December 2013: RUB 10,139 million), which was measured using the market prices for quoted FGC UES bonds (Level 2 inputs) as at 31 December 2014. The carrying amount of this non-current debt was RUB 10,000 million (as at 31 December 2013: RUB 10,000 million).

## 27 Financial risk management (continued)

### f. Fair value hierarchy

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

	<u>Level 1</u>	<u>Total</u>
<b>31 December 2014</b>		
Available-for-sale financial assets	14,019	14,019
	<b>14,019</b>	<b>14,019</b>
<b>31 December 2013</b>		
Available-for-sale financial assets	19,719	19,719
	<b>19,719</b>	<b>19,719</b>

The table below analyzes the movement of financial instruments carried at fair value during the year:

	<u>Available-for-sale financial assets</u>
<b>Balance at 1 January 2014</b>	<b>19,719</b>
Impairment loss	(5,825)
Change in fair value recognized in other comprehensive income	125
<b>Balance at 31 December 2014</b>	<b>14,019</b>

### g. Capital management

The Group's debt-to-capital ratio at the end of the reporting period was as follows:

	<u>31 December 2014</u>	<u>31 December 2013</u>
Total liabilities	945,275	884,348
Less: cash and cash equivalents	(82,576)	(61,917)
<b>Net debt</b>	<b>862,699</b>	<b>822,431</b>
Total equity	1,038,804	1,061,691
<b>Debt-to-equity ratio at 31 December</b>	<b>83.05%</b>	<b>77.46%</b>

There were no significant changes in the Group's approach to capital management during the year.

## 27 Financial risk management (continued)

### g. Capital management (continued)

The Company and its subsidiaries are subject to external capital requirements that require that their net assets, as determined in accordance with Russian Accounting Principles (RAP), exceed their charter capital at all times.

As of 31 December 2014 the Company's net assets, as determined in accordance with the Russian Accounting Principles (RAP), are below its charter capital. The Company takes necessary actions for keeping net assets in the amount not less than the charter capital.

## 28 Operating leases

The Group leases a number of land plots owned by local governments under operating leases. In addition, the Group leases non-residential premises and vehicles.

Land leases were entered into in prior periods and consist of land plots on which power lines, equipment for electricity transformation and other assets are located. The land leases typically run for an initial period of 5 to 49 years, with an option to renew the lease after that date. Lease payments are reviewed regularly to reflect market rentals.

The land title does not pass and the landlord retains control over land usage. The Group determined that since all of the substantial risks and rewards of the land plots are with the landlord, the leases are considered to be operating leases.

Non-cancellable operating lease rentals are payable as follows:

	<u>31 December 2014</u>	<u>31 December 2013</u>
Less than one year	5,551	4,418
Between one and five years	10,039	9,352
More than five years	49,572	44,644
	<u>65,162</u>	<u>58,414</u>

In 2014, RUB 6,638 million was recognized in the consolidated statement of profit and loss and other comprehensive income with respect to operating leases (2013: RUB 7,203 million).

## 29 Capital commitments

As at 31 December 2014, the Group has outstanding commitments under contracts for the purchase and construction of property, plant and equipment for RUB 264,092 million (as at 31 December 2013: RUB 293,833 million).

## **30 Contingencies**

### **(i) Insurance**

The insurance industry in the Russian Federation is in a state of development, and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its plant facilities, business interruption or third-party liability with respect to 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 Group's operations and financial position. Based on previous experience the Group does not expect any significant insurance losses in the foreseeable future.

### **(ii) Taxation contingencies**

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements, and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities for three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has adequately provided for tax assets and liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and have an effect on these consolidated financial statements if the authorities were successful in enforcing their interpretations.

### **(iii) Legal proceedings**

The Group is a party to certain legal proceedings arising in the ordinary course of business. In the opinion of Management, there are no current legal proceedings or other claims outstanding, which, upon final disposition, will have a material adverse effect on the financial position of the Group except accrued provisions (Note 26).

### **(iv) Environmental matters**

The Group and its predecessors have operated in the electric transmission industry in the Russian Federation for many years. The enforcement of environmental regulations in the Russian Federation is evolving and the enforcement posture of Government authorities is continually being reconsidered. Group Management periodically evaluates its 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. In the current enforcement climate under existing legislation, Management believes that there are no significant liabilities for environmental damage.

## 30 Contingencies

### (v) Other contingencies

Management believes that all of the Group's sales arrangements are generally in compliance with the Russian legislation regulating electric power transmission. However, based on the uncertainty of previously effective legislation that regulated the lease of Unified National Electricity Network property by the Group's subsidiaries ("last-mile") there is a risk that customers may challenge the Group's position for invoicing and recognizing revenue for electric power transmission services provided via leased "last-mile" grids and may win such legal cases. The potential amount of such losses could be significant, but cannot be reliably estimated, as each claim has individual legal circumstances and the respective estimation should be based on a variety of assumptions and judgments, which makes it impracticable. No provision was recognized by the Group, as Management believes that the outflow of economic benefits under current and potential proceedings is not probable.

## 31 Related party transactions

### (i) Control relationships

The Russian Federation holds the majority of the voting interest of the Company. It is the ultimate controlling party of the Group.

### (ii) Management remuneration

The Group identifies members of the Management Board and Board of Directors of the Company as key management personnel. The remuneration for members of the Management Board and Board of Directors consists of the salary stipulated by the employment contract, non-monetary benefits, bonuses determined based on the results for the period, and other payments. Remuneration or compensation is not payable to members of the Board of Directors who are government employees.

There are no transactions or balances with key management and close family members, except for their remuneration in the form of salary and bonuses.

Key management received the following remuneration during the year, which is included in personnel costs:

	Year ended 31 December 2014	Year ended 31 December 2013
Salaries and bonuses	549	301
Post employment benefits	3	2
<b>Total</b>	<b>552</b>	<b>303</b>

## **31 Related party transactions (continued)**

### **(iii) Transactions with government-related entities**

In the course of its operating activities, the Group is also engaged in significant transactions with state-controlled entities. Revenues and purchases from state-controlled entities are measured at regulated tariffs where applicable; in other cases, revenues and purchases are measured at normal market prices.

Revenues from state-controlled entities for the year ended 31 December 2014 constitute 35% (2013: 30%) of total Group revenues, including 40% (2013: 35%) of electricity transmission revenues.

Electricity transmission costs (including compensation of technological losses) for state-controlled entities for the year ended 31 December 2014 constitute 36% (2013: 35%) of total transmission costs.

Significant loans from state-controlled entities are disclosed in Note 23.

Cash in state controlled banks is disclosed in Note 20.

### **(iv) Pricing policies**

Related party revenue for electricity transmission is based on the tariffs determined by the government.

## **32 Events after the reporting period**

There were no significant events subsequent to 31 December 2014.

## Appendix 7. Related Party Transactions and Major Transactions of the Company

In 2014, ROSSETI did not enter into any major transactions as defined by the Federal Law “On Joint-Stock Companies.”

### Approved Related Party Transactions of the Company

Item	Transaction	Counterparty	Subject Matter	Value	Approving Management Body	Related Party(ies)
1.	Agreement for fee-based technical supervision services	FGC UES (“Customer”).	<p>The Customer engages the Contractor, and the Contractor agrees, to provide the following technical supervision services:</p> <ul style="list-style-type: none"> <li>- provide methodological and organizational support for the Customer’s interaction with governmental control and supervision authorities in the course of the construction (rehabilitation, modernization, technical upgrading) and operation of the Customer’s electric grid facilities, including interaction with the Federal Service for Environmental, Technological and Nuclear Supervision of the Russian Federation;</li> <li>- provide methodological and organizational support for improving the performance of the Customer’s technical units as part of fulfilling Russian legal requirements, including the Operating Rules for Electric Power Plants and Networks of the Russian Federation (approved by Order of the Ministry of Energy of the Russian Federation No. 229 of June 19, 2003);</li> <li>- prepare recommendations based on investigating into the causes of accidents as specified in paragraph 4 of the Rules for Investigating into the Causes of Accidents in the Electricity Industry (approved by Resolution of the Government of the Russian Federation</li> </ul>	<p>The price of the Contractor’s services under the Agreement in 2014 is 40,652,085 rubles and 60 kopecks, inclusive of VAT (18%).</p> <p>The price of the Customer’s services under the Agreement in 2014 is at most 1,200,000 rubles, inclusive of VAT (18%).</p> <p>The total price of the services under the Agreement may not be 2 or more percent of the book value of ROSSETI’s assets according to its accounting statements as of the latest balance sheet date.</p>	Board of Directors of the Company (Minutes of the Meeting No. 145 of March 3, 2014)	<p>Related parties: members of the Board of Directors of the Company S. I. Shmatko, V. M. Kravchenko, E. Ferlenghi.</p> <p>Related parties failing to be independent directors: member of the Board of Directors and Director General of the Company O. M. Budargin, member of the Board of Directors of the Company and Chairman of the Management Board of FGC UES A. Ye. Murov.</p>

			<p>No. 846 of October 28, 2009) and such other accidents and emergencies as agreed upon between the parties;</p> <ul style="list-style-type: none"> <li>- provide methodological and organizational support for the Customer's measures to correct faults found by the Customer as a result of the work done by the Customer's technical units;</li> <li>- carry out comprehensive audits of the Customer's production activities ("comprehensive audits") in accordance with the comprehensive audit plan and the comprehensive audit programs approved by the Customer;</li> <li>- participate in investigating into the causes of accidents as specified in paragraph 4 of the Rules for Investigating into the Causes of Accidents in the Electricity Industry (approved by Resolution of the Government of the Russian Federation No. 846 of October 28, 2009) at the Customer's electric grid facilities that are part of the Unified National Electric Grid;</li> <li>- participate in the Customer's audits of production activities (freshets, lightning storm and fire seasons, heat deficit periods, etc.) by agreement with the Customer (including in accordance with the audit schedule agreed upon with the Customer) or at its request, and the Customer agrees to accept and pay for such services.</li> </ul> <p>In order to create the necessary conditions for the work of the Contractor in providing the services under the Agreement (the Customer's assistance), the Customer provides the Contractor at its request with workplaces (premises) having furniture, computers, office appliances and equipment, communications facilities,</p>			
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			fixed communications and Internet services, office supplies, and, if necessary, transportation.			
2.	Lease agreement	FGC UES ("Landlord").	<p>The Landlord agrees to provide the residential premises/apartments specified in Appendix 5 to the Minutes of the Meeting of the Board of Directors (hereinafter, the "Properties") for the Tenant's temporary possession and use under a delivery and acceptance certificate for valuable consideration. The Tenant agrees to pay the rent in a timely manner and return the Properties to the Landlord upon the expiration of the Agreement in proper condition (subject to normal wear and tear). The Agreement specifies that the Tenant uses the Properties 24 hours a day.</p>	<p>The price of the lease agreement shall consist of a fixed rent and a variable rent as follows:</p> <ul style="list-style-type: none"> <li>- Amount of the fixed rent and the variable rent for the entire term of the agreement: at most 12,700,000 rubles, inclusive of VAT;</li> <li>- Amount of the fixed rent per month: <ul style="list-style-type: none"> <li>- from January 1, 2014, to and including January 31, 2014, 652,000 rubles, exempt from VAT;</li> <li>- from February 1, 2014, to and including February 28, 2014, 717,243 rubles and 36 kopecks, exempt from VAT;</li> <li>- from March 1, 2014, to and including March 31, 2014, 652,000 rubles, exempt from VAT;</li> <li>- from April 1, 2014, to and including April 30, 2014, 652,000 rubles, exempt from VAT;</li> </ul> </li> <li>- Amount of the variable rent under the terms and conditions of the agreement: expenses incurred by the Landlord in connection with the maintenance and operation of the leased properties and in connection with the provision of repair services and motor vehicle services (in accordance with Annexes 5 and 6 to the lease agreement, which is Appendix 5 to the Minutes of the Meeting of the Board of</li> </ul>	Board of Directors of the Company (Minutes of the Meeting No. 151 of April 28, 2014)	<p>Related parties: members of the Board of Directors of the Company S. I. Shmatko, V. M. Kravchenko, E. Ferlenghi. Related parties failing to be independent directors: member of the Board of Directors and Director General of the Company O. M. Budargin, member of the Board of Directors of the Company and Chairman of the Management Board of FGC UES A. Ye. Murov.</p>

				Directors).		
3.	Agreement for Verification Center services	FGC UES (“Organizer”).	The Organizer agrees to provide the Participant with services in relation to the creation and issue of certificates for digital signature verification keys as organized and conducted in accordance with the Agreement, the Procedure for Using Digital Signatures at JSC FGC UES, and the Procedure for Organizing the Cryptographic Protection of Information in the Electronic Document Management System of JSC FGC UES’s Verification Center, and the Participant agrees to accept and pay for such services.	The total price of the services provided under the Agreement may not be in excess of 3,800,000 rubles, inclusive of VAT (18%).	Board of Directors of the Company (Minutes of the Meeting No. 151 of April 28, 2014)	Related parties: members of the Board of Directors of the Company S. I. Shmatko, V. M. Kravchenko, E. Ferlenghi. Related parties failing to be independent directors: member of the Board of Directors and Director General of the Company O. M. Budargin, member of the Board of Directors of the Company and Chairman of the Management Board of FGC UES A. Ye. Murov.
4.	Limited credit line agreement	Russian Regional Development Bank (“Lender”).	The Lender agrees to extend credit to the Borrower in the form of an interest-bearing limited credit line for the term from the disbursement of the first current credit to and including March 14, 2017. The credit line is provided for the Borrower for the purpose of replenishing its working capital.	The maximum debt limit is 1,200,000,000 rubles. For the use of the credit line, the Borrower pays to the Lender interest of 8.5 percent per annum.	Board of Directors of the Company (Minutes of the Meeting No. 157 of June 6, 2014)	Related party: member of the Board of Directors of the Company V. M. Kravchenko. Related party failing to be an independent director: member of the Board of Directors and Director General of the Company O. M. Budargin.
5.	Liability insurance contract for directors and officers	SOGAZ INSURANCE (“Insurer”).	The Insurant agrees, within the period specified in the Contract, to pay the insurance contribution and comply with the terms and conditions of the Contract, and the Insurer agrees, if the insured event occurs, to pay insurance indemnity upon the terms and conditions of the Contract.	The price of the Contract shall be equal to the insurance premium of 3,465,698 rubles and 61 kopecks.	General Meeting of Shareholders of the Company (Minutes of the Annual General Meeting of Shareholders of July 1, 2014)	Related parties: member of the Board of Directors and Director General of the Company O. M. Budargin, all members of the Board of Directors and the Management Board of the Company who are beneficiaries of the transaction.
6.	Liability insurance contract for directors and officers to be entered into for the period from December 25, 2014, to and including December 24, 2015	The preferred bidder <sup>1</sup> selected by the procurement procedures to select the insurance company, including from among the following bidders: Soglasie Insurance Company, Ingosstrakh Insurance Company, SOGAZ	The Insurant agrees, within the period specified in the Contract, to pay the insurance contribution and comply with the terms and conditions of the Contract, and the Insurer agrees, if the insured event occurs, to pay insurance indemnity upon the terms and conditions of the Contract.	The price of the Contract shall be equal to the insurance premium of at most 4,300,000 rubles.	General Meeting of Shareholders of the Company (Minutes of the Annual General Meeting of Shareholders of July 1, 2014)	Related parties: member of the Board of Directors and Director General of the Company O. M. Budargin, all members of the Board of Directors and the Management Board of the Company who are beneficiaries of the transaction.

<sup>1</sup> The preferred bidder selected as the insurance company is SOGAZ INSURANCE.

		INSURANCE, AlfaStrakhovanie, VTB Insurance, Rosgosstrakh, VSK Insurance House, IC Allianz, RESO-GARANTIA, and Renaissance Insurance Group (“Insurer”).				
7.	Agreement to coordinate and develop the regulatory and technical support (hereinafter, “RTS”) system in the electric grid sector <sup>2</sup>	FGC UES; IDGC of Centre; IDGC of North-West; IDGC of Center and Volga Region; IDGC of Volga; IDGC of Urals; IDGC of Siberia; IDGC of South; Kubanenergo; IDGC of Northern Caucasus; Tyumenenergo; LENENERGO; MOESK; Yantarenergo; TDC (collectively, “ROSSETI SDCs” or the “Parties to the Agreement”).	To develop unified approaches to the management and development of the RTS system, for the purposes of the reliable and efficient operation of transmission and distribution grids in the Russian Federation, the Parties deem it necessary to implement a system for coordinating the development of the RTS system. Such coordination should be ensured by synchronizing the preparation and revision of technical standard documents on technical regulation and standardization (hereinafter, “TSD”) and by expanding the comprehensive expert evaluation of TSD. The Agreement does not apply to any such regulations, instructions, schedules, programs, or other documents defining the procedure for process interaction between ROSSETI SDCs (their branches) and SO UPS (its dispatching centers) as necessary to be prepared, applied, or implemented under any applicable legal regulations or agreements between SO UPS and FGC UES or process interaction agreements between SO UPS and ROSSETI SDCs for the purposes of ensuring the reliable operation of Russia’s United Power System or any other documents signed between SO UPS (its branches) and ROSSETI SDCs prior to entering into the Agreement.	The Agreement is entered into on a compensation-free basis without any terms and conditions concerning the price.	Board of Directors of the Company (Minutes of the Meeting No. 163 of September 4, 2014)	Related parties: members of the Board of Directors of the Company S. I. Shmatko, V. M. Kravchenko, S. N. Mironosetsky, members of the Management Board of the Company A. A. Dyomin, D. M. Belenky, V. Ye. Mezhevich. Related parties failing to be independent directors: member of the Board of Directors and Director General of the Company O. M. Budargin, member of the Board of Directors of the Company and Chairman of the Management Board of FGC UES A. Ye. Murov.

<sup>2</sup> Not completed in the reporting period

			<p>The Parties deem it necessary to create the Unified TSD Register, comprising technical regulation documents formulated by each Party and, upon agreement with third parties, formulated by such third parties.</p> <p>The requirements of TSD included in the Unified TSD Register should be fulfilled by each Party insofar as they apply to such Party's operating and economic activities, except for any TSD provisions inconsistent with federal, regional, or local laws.</p> <p>To ensure coordination and effective interaction, the Parties deem it necessary to establish the Coordinating Council on RTS System Development</p>			
8.	Addendum No. 1 to Agreement for Technical Supervision Services No. TsTN/13-13 of December 30, 2013	Tyumenenergo ("Customer").	The price of the services under Agreement for Technical Supervision Services No. TsTN/13-13 of December 30, 2013, is determined subject to Addendum No. 1 in 2014.	<p>The price of the services provided by ROSSETI under Addendum No. 1 to Agreement for Technical Supervision Services No. TsTN/13-13 of December 30, 2013, shall be 102,493,947 rubles and 06 kopecks, inclusive of VAT (18%).</p> <p>The price of the services provided by ROSSETI under Agreement for Technical Supervision Services No. TsTN/13-13 of December 30, 2013, including Addendum No. 1, in 2014 shall be 113,087,118 rubles and 42 kopecks, inclusive of VAT (18%).</p>	Board of Directors of the Company (Minutes of the Meeting No. 163 of September 4, 2014)	Related party: member of the Management Board of the Company A. A. Dyomin.
9.	Services agreement in relation to organizing the operation of and to developing electric grid facilities	FGC UES ("Customer").	The Contractor agrees to provide the Customer with services in relation to organizing the operation of and to developing the electric grid facilities of the Customer and in relation to technical supervision of the electric grid facilities (hereinafter, the "Services"), and the Customer agrees to accept and pay for the Services in accordance with	The price of the services provided by ROSSETI under the services agreement in relation to organizing the operation of and to developing electric grid facilities (hereinafter, the "Agreement") for one billing period is 43,037,577 rubles, plus VAT	Board of Directors of the Company (Minutes of the Meeting No. 167 of October 24, 2014)	<p>Related parties: members of the Board of Directors of the Company V. M. Kravchenko, S. I. Shmatko, S. N. Mironosetsky, member of the Management Board of the Company A. A. Dyomin.</p> <p>Related parties failing to be independent directors: member of the Board of Directors</p>

			<p>the terms and conditions of the Agreement.</p> <p>In order to create the necessary conditions for the work of the Contractor's personnel directly engaged in providing the services at the Customer's electric grid facilities, the Customer provides the Contractor on a paid basis throughout the term of the Agreement with workplaces (premises) having furniture, computers, office appliances and equipment, communications facilities, fixed communications and Internet services, and office supplies (hereinafter, the "Customer's Services").</p>	<p>(18%) of 7,746,763 rubles and 86 kopecks.</p> <p>The price of the services provided by FGC UES under the Agreement for one billing period is 84,745 rubles and 76 kopecks, plus VAT (18%) of 15,254 rubles and 24 kopecks. The billing period shall be the calendar month of the services provided.</p> <p>The price of the services under the Agreement may not be 2 or more percent of the book value of ROSSETI's assets according to its accounting statements as of the latest balance sheet date.</p>		<p>and Director General of the Company O. M. Budargin, member of the Board of Directors of the Company and Chairman of the Management Board of FGC UES A. Ye. Murov.</p>
10.	Services agreement in relation to organizing the operation of and to developing electric grid facilities <sup>3</sup>	MOESK ("Customer").	<p>The Contractor agrees to provide the Customer with services in relation to organizing the operation of and to developing the electric grid facilities of the Customer and in relation to technical supervision of the electric grid facilities (hereinafter, the "Services"), and the Customer agrees to accept and pay for the Services in accordance with the terms and conditions of the Agreement.</p> <p>In order to create the necessary conditions for the work of the Contractor's personnel directly engaged in providing the services at the Customer's electric grid facilities, the Customer provides the Contractor on a paid basis throughout the term of the Agreement with workplaces (premises) having furniture, computers, office appliances and equipment, communications facilities, fixed communications and Internet services, and office supplies (hereinafter, the "Customer's Services").</p>	<p>The price of the services provided by ROSSETI under the services agreement in relation to organizing the operation of and to developing electric grid facilities (hereinafter, the "Agreement") for one billing period is 33,405,540 rubles, plus VAT (18%) of 6,012,997 rubles and 20 kopecks.</p> <p>The price of the services provided by MOESK under the Agreement for one billing period is 127,215 rubles and 28 kopecks, plus VAT (18%) of 22,898 rubles and 75 kopecks. The billing period shall be the calendar month of the services provided.</p> <p>The price of the services under the Agreement may not be 2 or more percent of the book value of ROSSETI's assets according to its accounting statements as</p>	Board of Directors of the Company (Minutes of the Meeting No. 167 of October 24, 2014)	<p>Related parties: member of the Board of Directors of the Company V. M. Kravchenko, member of the Management Board of the Company A. A. Dyomin. Related party failing to be an independent director: member of the Board of Directors and Director General of the Company O. M. Budargin.</p>

<sup>3</sup> Not completed in the reporting period.

				of the latest balance sheet date.		
11.	Services agreement in relation to organizing the operation of and to developing electric grid facilities	Tyumenenergo (“Customer”).	<p>The Contractor agrees to provide the Customer with services in relation to organizing the operation of and to developing the electric grid facilities of the Customer and in relation to technical supervision of the electric grid facilities (hereinafter, the “Services”), and the Customer agrees to accept and pay for the Services in accordance with the terms and conditions of the Agreement.</p> <p>In order to create the necessary conditions for the work of the Contractor’s personnel directly engaged in providing the services at the Customer’s electric grid facilities, the Customer provides the Contractor on a paid basis throughout the term of the Agreement with workplaces (premises) having furniture, computers, office appliances and equipment, communications facilities, fixed communications and Internet services, and office supplies (hereinafter, the “Customer’s Services”).</p>	<p>The price of the services provided by ROSSETI under the services agreement in relation to organizing the operation of and to developing electric grid facilities (hereinafter, the “Agreement”) for one billing period is 19,643,463 rubles, plus VAT (18%) of 3,535,823 rubles and 34 kopecks.</p> <p>The price of the services provided by Tyumenenergo under the Agreement for one billing period is 82,742 rubles, plus VAT (18%) of 14,893 rubles and 56 kopecks.</p> <p>The billing period shall be the calendar month of the services provided.</p> <p>The price of the services under the Agreement may not be 2 or more percent of the book value of ROSSETI’s assets according to its accounting statements as of the latest balance sheet date.</p>	Board of Directors of the Company (Minutes of the Meeting No. 167 of October 24, 2014)	Related party: member of the Management Board of the Company A. A. Dyomin.
12.	Services agreement in relation to organizing the operation of and to developing electric grid facilities <sup>4</sup>	IDGC of Siberia (“Customer”).	<p>The Contractor agrees to provide the Customer with services in relation to organizing the operation of and to developing the electric grid facilities of the Customer and in relation to technical supervision of the electric grid facilities (hereinafter, the “Services”), and the Customer agrees to accept and pay for the Services in accordance with the terms and conditions of the Agreement.</p> <p>In order to create the necessary conditions for the work of the Contractor’s personnel directly engaged in providing the services at the</p>	<p>The price of the services provided by ROSSETI under the services agreement in relation to organizing the operation of and to developing electric grid facilities (hereinafter, the “Agreement”) for one billing period is 19,488,828 rubles, plus VAT (18%) of 3,507,989 rubles and 04 kopecks.</p> <p>The price of the services provided by IDGC of Siberia under the Agreement for one billing period is 65,540 rubles</p>	Board of Directors of the Company (Minutes of the Meeting No. 167 of October 24, 2014)	Related parties: member of the Board of Directors of the Company S. N. Mironosetsky, member of the Management Board of the Company V. Ye. Mezhevich.

<sup>4</sup> Not completed in the reporting period.

			Customer's electric grid facilities, the Customer provides the Contractor on a paid basis throughout the term of the Agreement with workplaces (premises) having furniture, computers, office appliances and equipment, communications facilities, fixed communications and Internet services, and office supplies (hereinafter, the "Customer's Services").	and 80 kopecks, plus VAT (18%) of 11,797 rubles and 34 kopecks. The billing period shall be the calendar month of the services provided. The price of the services under the Agreement may not be 2 or more percent of the book value of ROSSETI's assets according to its accounting statements as of the latest balance sheet date.		
13.	Services agreement in relation to organizing the operation of and to developing electric grid facilities	IDGC of Northern Caucasus ("Customer").	The Contractor agrees to provide the Customer with services in relation to organizing the operation of and to developing the electric grid facilities of the Customer and in relation to technical supervision of the electric grid facilities (hereinafter, the "Services"), and the Customer agrees to accept and pay for the Services in accordance with the terms and conditions of the Agreement. In order to create the necessary conditions for the work of the Contractor's personnel directly engaged in providing the services at the Customer's electric grid facilities, the Customer provides the Contractor on a paid basis throughout the term of the Agreement with workplaces (premises) having furniture, computers, office appliances and equipment, communications facilities, fixed communications and Internet services, and office supplies (hereinafter, the "Customer's Services").	The price of the services provided by ROSSETI under the services agreement in relation to organizing the operation of and to developing electric grid facilities (hereinafter, the "Agreement") for one billing period is 7,460,732 rubles, plus VAT (18%) of 1,342,931 rubles and 76 kopecks. The price of the services provided by IDGC of Northern Caucasus under the Agreement for one billing period is 7,164 rubles and 11 kopecks, plus VAT (18%) of 1,289 rubles and 54 kopecks. The billing period shall be the calendar month of the services provided. The price of the services under the Agreement may not be 2 or more percent of the book value of ROSSETI's assets according to its accounting statements as of the latest balance sheet date.	Board of Directors of the Company (Minutes of the Meeting No. 167 of October 24, 2014)	Related party: member of the Management Board of the Company V. Ye. Mezhevich.
14.	Services agreement in relation to organizing the operation of and to developing electric grid facilities	IDGC of South ("Customer").	The Contractor agrees to provide the Customer with services in relation to organizing the operation of and to developing the electric grid facilities of the Customer and in relation to	The price of the services provided by ROSSETI under the services agreement in relation to organizing the operation of and to developing	Board of Directors of the Company (Minutes of the Meeting No. 167 of October 24, 2014)	Related party: member of the Management Board of the Company D. M. Belenky.

			<p>technical supervision of the electric grid facilities (hereinafter, the “Services”), and the Customer agrees to accept and pay for the Services in accordance with the terms and conditions of the Agreement.</p> <p>In order to create the necessary conditions for the work of the Contractor’s personnel directly engaged in providing the services at the Customer’s electric grid facilities, the Customer provides the Contractor on a paid basis throughout the term of the Agreement with workplaces (premises) having furniture, computers, office appliances and equipment, communications facilities, fixed communications and Internet services, and office supplies (hereinafter, the “Customer’s Services”).</p>	<p>electric grid facilities (hereinafter, the “Agreement”) for one billing period is 13,469,616 rubles, plus VAT (18%) of 2,424,530 rubles and 88 kopecks.</p> <p>The price of the services provided by IDGC of South under the Agreement for one billing period is 136,716 rubles and 80 kopecks, plus VAT (18%) of 24,609 rubles and 02 kopecks.</p> <p>The billing period shall be the calendar month of the services provided.</p> <p>The price of the services under the Agreement may not be 2 or more percent of the book value of ROSSETI’s assets according to its accounting statements as of the latest balance sheet date.</p>		
15.	Services agreement in relation to organizing the operation of and to developing electric grid facilities	Kubanenergo (“Customer”).	<p>The Contractor agrees to provide the Customer with services in relation to organizing the operation of and to developing the electric grid facilities of the Customer and in relation to technical supervision of the electric grid facilities (hereinafter, the “Services”), and the Customer agrees to accept and pay for the Services in accordance with the terms and conditions of the Agreement.</p> <p>In order to create the necessary conditions for the work of the Contractor’s personnel directly engaged in providing the services at the Customer’s electric grid facilities, the Customer provides the Contractor on a paid basis throughout the term of the Agreement with workplaces (premises) having furniture, computers, office appliances and equipment, communications facilities, fixed communications and Internet services,</p>	<p>The price of the services provided by ROSSETI under the services agreement in relation to organizing the operation of and to developing electric grid facilities (hereinafter, the “Agreement”) for one billing period is 7,646,397 rubles, plus VAT (18%) of 1,376,351 rubles and 46 kopecks.</p> <p>The price of the services provided by Kubanenergo under the Agreement for one billing period is 98,730 rubles and 04 kopecks, plus VAT (18%) of 17,771 rubles and 41 kopecks.</p> <p>The billing period shall be the calendar month of the services provided.</p> <p>The price of the services under the Agreement may not be 2 or more percent of the book value</p>	Board of Directors of the Company (Minutes of the Meeting No. 167 of October 24, 2014)	Related party: member of the Management Board of the Company V. Ye. Mezhevich.

			and office supplies (hereinafter, the “Customer’s Services”).	of ROSSETI’s assets according to its accounting statements as of the latest balance sheet date.		
16.	Agreement for Membership in the Russian National Committee of the World Energy Council (Nonprofit Partnership)	Russian National Committee of the World Energy Council (Nonprofit Partnership) (“Partnership”).	The Partnership Member joins the Partnership in order to participate in establishing and systematically building up professional business relations and contact among the energy industry’s executives and experts worldwide and create an international forum for free communication on all energy-related issues of interest to experts and on the energy industry’s role in the common context of global and regional socioeconomic development. The Partnership Member acquires all the authority, obligations, power, and liability of the Partnership’s member in accordance with the Charter of the Partnership, while the Partnership’s founders and members have equal rights and duties.	The admission fee is 5,000 US dollars. The annual membership fee is 20,000 US dollars. Payment is made in rubles at the Bank of Russia’s exchange rate as of the payment date.	Board of Directors of the Company (Minutes of the Meeting No. 171 of November 25, 2014)	Related parties: members of the Board of Directors of the Company A. F. Dyakov, A. A. Makarov.
17.	Agreement for training of a specialist in accordance with the State Plan of Managerial Personnel Training for National Economy Entities of the Russian Federation	MPEI (NRU) (“Contractor”), Yury Veniaminovich Adler (“Specialist”).	The Contractor agrees to provide training services for the Specialist with a higher professional education degree under the “Production Management and Project Management” (Type V) professional retraining program in accordance with the State Plan of Managerial Personnel Training for National Economy Entities of the Russian Federation in the academic years 2007/08–2014/15 (hereinafter, the “State Plan”) as approved by Resolutions of the Government of the Russian Federation No. 177 of March 24, 2007, No. 783 of September 26, 2011, and No. 1126 of December 27, 2010, and the Recommending Entity agrees to pay for the services provided in the amount and upon the terms and conditions set forth in the Agreement. Training method: blended courses with distance and on-site sessions (evening	The price of the services is 79,800 rubles, including 27,132 rubles payable by ROSSETI, exempt from VAT (pursuant to subparagraph 14 of paragraph 2 of Article 149 of the Tax Code of the Russian Federation). The training price for the Specialist is calculated in accordance with Government Telegram No. 22152-AA/D04 of October 10, 2011, concerning the increased base training price for the Specialist.	Board of Directors of the Company (Minutes of the Meeting No. 175 of December 26, 2014)	Related party: member of the Board of Directors of the Company A. F. Dyakov. Related party failing to be an independent director: member of the Board of Directors and Director General of the Company O. M. Budargin.

			courses, on-the-job training). Scope of the program's training plan: 550 class hours.			
18.	Agreement for training of a specialist in accordance with the State Plan of Managerial Personnel Training for National Economy Entities of the Russian Federation	MPEI (NRU) ("Contractor"), Aleksey Andreyevich Zaytsev ("Specialist").	The Contractor agrees to provide training services for the Specialist with a higher professional education degree under the "Production Management and Project Management" (Type V) professional retraining program in accordance with the State Plan of Managerial Personnel Training for National Economy Entities of the Russian Federation in the academic years 2007/08–2014/15 (hereinafter, the "State Plan") as approved by Resolutions of the Government of the Russian Federation No. 177 of March 24, 2007, No. 783 of September 26, 2011, and No. 1126 of December 27, 2010, and the Recommending Entity agrees to pay for the services provided in the amount and upon the terms and conditions set forth in the Agreement. Training method: blended courses with distance and on-site sessions (evening courses, on-the-job training). Scope of the program's training plan: 550 class hours.	The price of the services is 79,800 rubles, including 27,132 rubles payable by ROSSETI, exempt from VAT (pursuant to subparagraph 14 of paragraph 2 of Article 149 of the Tax Code of the Russian Federation). The training price for the Specialist is calculated in accordance with Government Telegram No. 22152-AA/D04 of October 10, 2011, concerning the increased base training price for the Specialist.	Board of Directors of the Company (Minutes of the Meeting No. 175 of December 26, 2014)	Related party: member of the Board of Directors of the Company A. F. Dyakov. Related party failing to be an independent director: member of the Board of Directors and Director General of the Company O. M. Budargin.
19.	Agreement for training of a specialist in accordance with the State Plan of Managerial Personnel Training for National Economy Entities of the Russian Federation	MPEI (NRU) ("Contractor"), Svetlana Anatolyevna Kim ("Specialist").	The Contractor agrees to provide training services for the Specialist with a higher professional education degree under the "Production Management and Project Management" (Type V) professional retraining program in accordance with the State Plan of Managerial Personnel Training for National Economy Entities of the Russian Federation in the academic years 2007/08–2014/15 (hereinafter, the "State Plan") as approved by Resolutions of the Government of the Russian Federation No. 177 of March 24, 2007, No. 783 of September 26, 2011, and No. 1126 of December 27,	The price of the services is 79,800 rubles, including 27,132 rubles payable by ROSSETI, exempt from VAT (pursuant to subparagraph 14 of paragraph 2 of Article 149 of the Tax Code of the Russian Federation). The training price for the Specialist is calculated in accordance with Government Telegram No. 22152-AA/D04 of October 10, 2011, concerning the increased base training price for the Specialist.	Board of Directors of the Company (Minutes of the Meeting No. 175 of December 26, 2014)	Related party: member of the Board of Directors of the Company A. F. Dyakov. Related party failing to be an independent director: member of the Board of Directors and Director General of the Company O. M. Budargin.

			2010, and the Recommending Entity agrees to pay for the services provided in the amount and upon the terms and conditions set forth in the Agreement. Training method: blended courses with distance and on-site sessions (evening courses, on-the-job training). Scope of the program's training plan: 550 class hours.			
20.	Agreement for training of a specialist in accordance with the State Plan of Managerial Personnel Training for National Economy Entities of the Russian Federation	MPEI (NRU) ("Contractor"), Igor Vladimirovich Kirilenko ("Specialist").	The Contractor agrees to provide training services for the Specialist with a higher professional education degree under the "Production Management and Project Management" (Type V) professional retraining program in accordance with the State Plan of Managerial Personnel Training for National Economy Entities of the Russian Federation in the academic years 2007/08–2014/15 (hereinafter, the "State Plan") as approved by Resolutions of the Government of the Russian Federation No. 177 of March 24, 2007, No. 783 of September 26, 2011, and No. 1126 of December 27, 2010, and the Recommending Entity agrees to pay for the services provided in the amount and upon the terms and conditions set forth in the Agreement. Training method: blended courses with distance and on-site sessions (evening courses, on-the-job training). Scope of the program's training plan: 550 class hours.	The price of the services is 79,800 rubles, including 27,132 rubles payable by ROSSETI, exempt from VAT (pursuant to subparagraph 14 of paragraph 2 of Article 149 of the Tax Code of the Russian Federation). The training price for the Specialist is calculated in accordance with Government Telegram No. 22152-AA/D04 of October 10, 2011, concerning the increased base training price for the Specialist.	Board of Directors of the Company (Minutes of the Meeting No. 175 of December 26, 2014)	Related party: member of the Board of Directors of the Company A. F. Dyakov. Related party failing to be an independent director: member of the Board of Directors and Director General of the Company O. M. Budargin.
21.	Agreement for training of a specialist in accordance with the State Plan of Managerial Personnel Training for National Economy Entities of the Russian Federation	MPEI (NRU) ("Contractor"), Anton Arkadyevich Kormakov ("Specialist").	The Contractor agrees to provide training services for the Specialist with a higher professional education degree under the "Production Management and Project Management" (Type V) professional retraining program in accordance with the State Plan of Managerial Personnel Training for National Economy Entities of the Russian Federation in the academic	The price of the services is 79,800 rubles, including 27,132 rubles payable by ROSSETI, exempt from VAT (pursuant to subparagraph 14 of paragraph 2 of Article 149 of the Tax Code of the Russian Federation). The training price for the Specialist is calculated in accordance with Government	Board of Directors of the Company (Minutes of the Meeting No. 175 of December 26, 2014)	Related party: member of the Board of Directors of the Company A. F. Dyakov. Related party failing to be an independent director: member of the Board of Directors and Director General of the Company O. M. Budargin.

			years 2007/08–2014/15 (hereinafter, the “State Plan”) as approved by Resolutions of the Government of the Russian Federation No. 177 of March 24, 2007, No. 783 of September 26, 2011, and No. 1126 of December 27, 2010, and the Recommending Entity agrees to pay for the services provided in the amount and upon the terms and conditions set forth in the Agreement. Training method: blended courses with distance and on-site sessions (evening courses, on-the-job training). Scope of the program’s training plan: 550 class hours.	Telegram No. 22152-AA/D04 of October 10, 2011, concerning the increased base training price for the Specialist.		
22.	Agreement for training of a specialist in accordance with the State Plan of Managerial Personnel Training for National Economy Entities of the Russian Federation <sup>5</sup>	MPEI (NRU) (“Contractor”), Vitaly Vladimirovich Mazur (“Specialist”).	The Contractor agrees to provide training services for the Specialist with a higher professional education degree under the “Production Management and Project Management” (Type V) professional retraining program in accordance with the State Plan of Managerial Personnel Training for National Economy Entities of the Russian Federation in the academic years 2007/08–2014/15 (hereinafter, the “State Plan”) as approved by Resolutions of the Government of the Russian Federation No. 177 of March 24, 2007, No. 783 of September 26, 2011, and No. 1126 of December 27, 2010, and the Recommending Entity agrees to pay for the services provided in the amount and upon the terms and conditions set forth in the Agreement. Training method: blended courses with distance and on-site sessions (evening courses, on-the-job training). Scope of the program’s training plan: 550 class hours.	The price of the services is 79,800 rubles, including 27,132 rubles payable by ROSSETI, exempt from VAT (pursuant to subparagraph 14 of paragraph 2 of Article 149 of the Tax Code of the Russian Federation). The training price for the Specialist is calculated in accordance with Government Telegram No. 22152-AA/D04 of October 10, 2011, concerning the increased base training price for the Specialist.	Board of Directors of the Company (Minutes of the Meeting No. 175 of December 26, 2014)	Related party: member of the Board of Directors of the Company A. F. Dyakov. Related party failing to be an independent director: member of the Board of Directors and Director General of the Company O. M. Budargin.
23.	Agreement for training of a specialist in accordance	MPEI (NRU) (“Contractor”),	The Contractor agrees to provide training services for the Specialist with	The price of the services is 79,800 rubles, including 27,132	Board of Directors of the Company (Minutes of the	Related party: member of the Board of Directors

<sup>5</sup> Not completed in the reporting period.

	with the State Plan of Managerial Personnel Training for National Economy Entities of the Russian Federation <sup>6</sup>	Sergey Viktorovich Nekhaev (“Specialist”).	a higher professional education degree under the “Production Management and Project Management” (Type V) professional retraining program in accordance with the State Plan of Managerial Personnel Training for National Economy Entities of the Russian Federation in the academic years 2007/08–2014/15 (hereinafter, the “State Plan”) as approved by Resolutions of the Government of the Russian Federation No. 177 of March 24, 2007, No. 783 of September 26, 2011, and No. 1126 of December 27, 2010, and the Recommending Entity agrees to pay for the services provided in the amount and upon the terms and conditions set forth in the Agreement. Training method: blended courses with distance and on-site sessions (evening courses, on-the-job training). Scope of the program’s training plan: 550 class hours.	rubles payable by ROSSETI, exempt from VAT (pursuant to subparagraph 14 of paragraph 2 of Article 149 of the Tax Code of the Russian Federation). The training price for the Specialist is calculated in accordance with Government Telegram No. 22152-AA/D04 of October 10, 2011, concerning the increased base training price for the Specialist.	Meeting No. 175 of December 26, 2014)	of the Company A. F. Dyakov. Related party failing to be an independent director: member of the Board of Directors and Director General of the Company O. M. Budargin.
24.	Agreement for training of a specialist in accordance with the State Plan of Managerial Personnel Training for National Economy Entities of the Russian Federation	MPEI (NRU) (“Contractor”), Roman Alekseyevich Semyonov (“Specialist”).	The Contractor agrees to provide training services for the Specialist with a higher professional education degree under the “Production Management and Project Management” (Type V) professional retraining program in accordance with the State Plan of Managerial Personnel Training for National Economy Entities of the Russian Federation in the academic years 2007/08–2014/15 (hereinafter, the “State Plan”) as approved by Resolutions of the Government of the Russian Federation No. 177 of March 24, 2007, No. 783 of September 26, 2011, and No. 1126 of December 27, 2010, and the Recommending Entity agrees to pay for the services provided in the amount and upon the terms and	The price of the services is 79,800 rubles, including 27,132 rubles payable by ROSSETI, exempt from VAT (pursuant to subparagraph 14 of paragraph 2 of Article 149 of the Tax Code of the Russian Federation). The training price for the Specialist is calculated in accordance with Government Telegram No. 22152-AA/D04 of October 10, 2011, concerning the increased base training price for the Specialist.	Board of Directors of the Company (Minutes of the Meeting No. 175 of December 26, 2014)	Related party: member of the Board of Directors of the Company A. F. Dyakov. Related party failing to be an independent director: member of the Board of Directors and Director General of the Company O. M. Budargin.

<sup>6</sup> Not completed in the reporting period.

			conditions set forth in the Agreement. Training method: blended courses with distance and on-site sessions (evening courses, on-the-job training). Scope of the program's training plan: 550 class hours.			
25.	Agreement for training of a specialist in accordance with the State Plan of Managerial Personnel Training for National Economy Entities of the Russian Federation	MPEI (NRU) ("Contractor"), Andrey Borisovich Spirin ("Specialist").	The Contractor agrees to provide training services for the Specialist with a higher professional education degree under the "Production Management and Project Management" (Type V) professional retraining program in accordance with the State Plan of Managerial Personnel Training for National Economy Entities of the Russian Federation in the academic years 2007/08–2014/15 (hereinafter, the "State Plan") as approved by Resolutions of the Government of the Russian Federation No. 177 of March 24, 2007, No. 783 of September 26, 2011, and No. 1126 of December 27, 2010, and the Recommending Entity agrees to pay for the services provided in the amount and upon the terms and conditions set forth in the Agreement. Training method: blended courses with distance and on-site sessions (evening courses, on-the-job training). Scope of the program's training plan: 550 class hours.	The price of the services is 79,800 rubles, including 27,132 rubles payable by ROSSETI, exempt from VAT (pursuant to subparagraph 14 of paragraph 2 of Article 149 of the Tax Code of the Russian Federation). The training price for the Specialist is calculated in accordance with Government Telegram No. 22152-AA/D04 of October 10, 2011, concerning the increased base training price for the Specialist.	Board of Directors of the Company (Minutes of the Meeting No. 175 of December 26, 2014)	Related party: member of the Board of Directors of the Company A. F. Dyakov. Related party failing to be an independent director: member of the Board of Directors and Director General of the Company O. M. Budargin.
26.	Agreement for training of a specialist in accordance with the State Plan of Managerial Personnel Training for National Economy Entities of the Russian Federation	MPEI (NRU) ("Contractor"), Dmitry Nikolayevich Fomichev ("Specialist").	The Contractor agrees to provide training services for the Specialist with a higher professional education degree under the "Production Management and Project Management" (Type V) professional retraining program in accordance with the State Plan of Managerial Personnel Training for National Economy Entities of the Russian Federation in the academic years 2007/08–2014/15 (hereinafter, the "State Plan") as approved by Resolutions of the Government of the	The price of the services is 79,800 rubles, including 27,132 rubles payable by ROSSETI, exempt from VAT (pursuant to subparagraph 14 of paragraph 2 of Article 149 of the Tax Code of the Russian Federation). The training price for the Specialist is calculated in accordance with Government Telegram No. 22152-AA/D04 of October 10, 2011, concerning the increased base	Board of Directors of the Company (Minutes of the Meeting No. 175 of December 26, 2014)	Related party: member of the Board of Directors of the Company A. F. Dyakov. Related party failing to be an independent director: member of the Board of Directors and Director General of the Company O. M. Budargin.

			<p>Russian Federation No. 177 of March 24, 2007, No. 783 of September 26, 2011, and No. 1126 of December 27, 2010, and the Recommending Entity agrees to pay for the services provided in the amount and upon the terms and conditions set forth in the Agreement. Training method: blended courses with distance and on-site sessions (evening courses, on-the-job training). Scope of the program's training plan: 550 class hours.</p>	training price for the Specialist.		
27.	<p>Agreement for training of a specialist in accordance with the State Plan of Managerial Personnel Training for National Economy Entities of the Russian Federation</p>	<p>MPEI (NRU) ("Contractor"), Tatiana Vladimirovna Shutkina ("Specialist").</p>	<p>The Contractor agrees to provide training services for the Specialist with a higher professional education degree under the "Production Management and Project Management" (Type V) professional retraining program in accordance with the State Plan of Managerial Personnel Training for National Economy Entities of the Russian Federation in the academic years 2007/08–2014/15 (hereinafter, the "State Plan") as approved by Resolutions of the Government of the Russian Federation No. 177 of March 24, 2007, No. 783 of September 26, 2011, and No. 1126 of December 27, 2010, and the Recommending Entity agrees to pay for the services provided in the amount and upon the terms and conditions set forth in the Agreement. Training method: blended courses with distance and on-site sessions (evening courses, on-the-job training). Scope of the program's training plan: 550 class hours.</p>	<p>The price of the services is 79,800 rubles, including 27,132 rubles payable by ROSSETI, exempt from VAT (pursuant to subparagraph 14 of paragraph 2 of Article 149 of the Tax Code of the Russian Federation). The training price for the Specialist is calculated in accordance with Government Telegram No. 22152-AA/D04 of October 10, 2011, concerning the increased base training price for the Specialist.</p>	<p>Board of Directors of the Company (Minutes of the Meeting No. 175 of December 26, 2014)</p>	<p>Related party: member of the Board of Directors of the Company A. F. Dyakov. Related party failing to be an independent director: member of the Board of Directors and Director General of the Company O. M. Budargin.</p>

### Disposal of ROSSETI's Noncore Assets in 2014\*

Noncore Asset**	Share Held by the Company, %	Book Value, rubles	Actual Selling Price, rubles	Deviation of the Actual Selling Price from the Book Value, rubles	Reasons for the Deviation of the Actual Selling Price from the Book Value	No. of the Minutes of the Meeting of the Board of Directors	Comments
In the reporting period, ROSSETI did not plan or made the sale of noncore assets							

\* Progress in disposing of ROSSETI's noncore assets was considered by the Board of Directors of the Company on November 18, 2014 (Minutes of the Meeting No. 169).

\*\* Noncore assets are capital assets and construction-in-progress facilities intended for use other than the generation, transmission, dispatching, and distribution of electricity and heat and also include shares, issue-grade securities convertible into shares, and shareholdings in organizations that are not engaged in the generation, transmission, dispatching, distribution, and retailing of electricity and heat.

The disposal of ROSSETI's noncore assets is in accordance with the Strategy for Disposing of Noncore Assets of the Company and its SDCs approved by the Board of Directors on June 22, 2010 (Minutes of the Meeting No. 37) and ROSSETI's register (sale program) of noncore assets approved by the Board of Directors of the Company on December 30, 2010 (Minutes of the Meeting No. 52), aiming to reduce expenses associated with the maintenance and management of noncore assets, earn proceeds from the sale of such assets, and receive high-quality (exclusive) services supporting the core activities.

**Appendix 8. Actual Implementation of the Instructions Issued by the President and Government of the Russian Federation to ROSSETI in 2014**

Item	Date of Registration in ROSSETI	Registration Number	Issued by	Document Description	Actual Date of Implementation
1	January 9, 2014	ДМ-П9-9473	D. A. Medvedev Prime Minister of the Russian Federation	Concerning the instructions issued by Prime Minister of the Russian Federation D. A. Medvedev on the results of the working meeting on the draft of the investment program of ROSSETI (including FGC UES)	March 3, 2014 October 1, 2014 March 27, 2014 April 4, 2014 January 31, 2014
2	January 9, 2014	A60-26-688	A. Ustinov Government Executive Office of the Russian Federation	Concerning the introduction of the social electricity consumption rate for residents of the Murmansk Region	21.01.2014
3	January 10, 2014	П9-88	N. Linchenko Government Executive Office of the Russian Federation	Concerning the meeting held at 16:30, January 10, 2014, on the implementation of the Construction Schedule for Olympic Games Sites and on the implementation of related measures as of January 10, 2014, chaired by Deputy Prime Minister of the Russian Federation D. N. Kozak	January 10, 2014
4	January 13, 2014	ДМ-П9-49p	D. A. Medvedev Prime Minister of the Russian Federation	Instructions No. DM-P9-49r of January 10, 2014	February 7, 2014
5	January 13, 2014	П36-541	M. German Government Executive Office of the Russian Federation	Concerning information provided about progress in implementing Directives No. 2988p-P13 of May 30, 2013, approved by First Deputy Prime Minister of the Russian Federation I. I. Shuvalov	January 17, 2014
6	January 14, 2014	П9-755	N. Linchenko Government Executive Office of the Russian Federation	Concerning the meeting held at 13:00, January 17, 2014, on the implementation of the Construction Schedule for Olympic Games Sites and on the implementation of related measures as of January 15, 2014, chaired by Deputy Prime Minister of the Russian Federation D. N. Kozak	January 17, 2014

7	January 16, 2014	АД-П9-141	A. V. Dvorkovich Deputy Prime Minister of the Russian Federation	Concerning the sending of the draft of the Federal Law “On Amendments to the Land Code of the Russian Federation and Other Legislative Acts of the Russian Federation with Respect to the Simplification of the Procedure for Allocating and Using Plots of Land for the Construction, Rehabilitation, and Major Repair of Electric Power Facilities” (paragraphs 5 and 6 of the Action Plan (Road Map) “Enhancing the Affordability of the Power Infrastructure” under Ordinance of the Government of the Russian Federation No. 1144-r of June 30, 2012)	June 25, 2014
8	January 16, 2014	П9-1245	N. Linchenko Government Executive Office of the Russian Federation	Concerning the meeting held at 12:00, January 17, 2014, on the readiness of the power infrastructure ensuring preparations for and the holding of the 2014 Winter Olympics, chaired by Deputy Prime Minister of the Russian Federation D. N. Kozak	January 17, 2014
9	January 16, 2014	П9-1066	N. Linchenko Government Executive Office of the Russian Federation	Concerning the meeting held at 17:00, January 18, 2014, on the implementation of the Construction Schedule for Olympic Games Sites and on the implementation of related measures as of January 15, 2014, chaired by Deputy Prime Minister of the Russian Federation D. N. Kozak	January 18, 2014
10	January 16, 2014	ИШ-П9-82	I. I. Shuvalov Government of the Russian Federation	Concerning the submission of proposals for labor compensation for different workforce categories of natural monopolies in 2014 (paragraph 2 of Instructions No. 6732p-P9 of November 11, 2013)	January 31, 2014
11	January 16, 2014	П9-1014	Ye. Ditrikh Government Executive Office of the Russian Federation	Concerning the submission of the draft report in accordance with Instructions of the Prime Minister of the Russian Federation No. DM-P9-49r of January 10, 2014	February 7, 2014
12	January 17, 2014	А4-544ПЭМ	E. Muslimov Presidential Executive Office of the Russian Federation	Concerning the meeting held at 14:00, January 18, 2014, on the maintenance of aluminum production at Nadvoitsy Aluminium Smelter, chaired by Assistant to the President of the Russian Federation A. R. Belousov	January 18, 2014
13	January 23, 2014	П36-2565	M. German Government Executive Office of the Russian Federation	Concerning the meeting held at 17:00, January 27, 2014, on the drafting of recommended guidelines for the long-term development programs of government-owned corporations and joint-stock companies pursuant to paragraphs 32 and 34 of Instructions No. DM-P13-9589 of December 31, 2013, and for the implementation of the Presidential Address to the Federal Assembly of the Russian Federation (No. Pr-3086 of December 12, 2013), chaired by Minister of the Russian Federation M. A. Abyzov	January 27, 2014

14	January 24, 2014	5-325	M. German Government Executive Office of the Russian Federation	Concerning the meeting held at 18:00, January 27, 2014, on the drafting of recommended guidelines for the long-term development programs of government-owned corporations and joint-stock companies pursuant to paragraphs 32 and 34 of Instructions No. DM-P13-9589 of December 31, 2013, and for the implementation of the Presidential Address to the Federal Assembly of the Russian Federation (No. Pr-3086 of December 12, 2013), chaired by Minister of the Russian Federation M. A. Aбызов	January 27, 2014
15	January 28, 2014	334п-П44	O. Golodets Government of the Russian Federation	Concerning the first meeting held at 16:00, February 11, 2014, by the Board of Trustees of the Primorsky Opera and Ballet Theater	February 11, 2014
16	January 30, 2014	ИШ-П9-529	I. I. Shuvalov Government of the Russian Federation	Concerning information provided about the reasons for the nonperformance of obligations and about measures to remedy the electricity supply situation of Novorocement's new production facilities in accordance with Instructions of First Deputy Prime Minister of the Russian Federation I. I. Shuvalov No. ISH-P9-529 of January 27, 2014	February 14, 2014
17	January 31, 2014	П9-4074	V. Ampilogov Government Executive Office of the Russian Federation	Concerning information provided about measures to implement the comprehensive investment project to develop mineral resources in the southeast of the Trans-Baikal Territory in accordance with Instructions of Prime Minister of the Russian Federation D. A. Medvedev No. DM-P9-49r of January 10, 2014	February 7, 2014
18	February 4, 2014	П9-4646	N. Linchenko Government Executive Office of the Russian Federation	Concerning information sent about the decisions made by Deputy Prime Minister of the Russian Federation D. N. Kozak on the results of considering reports on the implementation of the instructions issued by the Government of the Russian Federation in connection with preparations for and the holding of the XXII Olympic Winter Games and the XI Paralympic Winter Games in Sochi in 2014 (Memorandum No. Z-P9-1973 of January 30, 2014)	March 6, 2014
19	February 4, 2014	АД-П9-723	A. V. Dvorkovich Deputy Prime Minister of the Russian Federation	Concerning the submission of the action plan in relation to payment for Himprom's current electricity consumption	February 14, 2014

20	February 4, 2014	П36-4654	M. German Government Executive Office of the Russian Federation	Concerning the meeting held at 10:00, February 6, 2014, on the expert discussion of the investment program of ROSSETI (including FGC UES) in accordance with paragraph 2 of Instructions of Prime Minister of the Russian Federation D. A. Medvedev No. DM-P9-9473 of December 30, 2013, chaired by Minister of the Russian Federation M. A. Abyzov	February 6, 2014
21	February 6, 2014	A77-67	A. Lipov Presidential Executive Office of the Russian Federation (Directorate of the President of the Russian Federation for the Use of Information Technology and for the Development of Electronic Democracy)	Concerning the meeting held at 15:30, February 20, 2014, on the security of critical information infrastructure	February 20, 2014
22	February 10, 2014	П16-5488	L. Pepelyaeva Government Executive Office of the Russian Federation	Concerning the meeting held at 14:00, February 18, 2014, by the Governmental Commission on the Relief of the Consequences of the Large Flood in the Republic of Sakha (Yakutia), the Primorie Territory, the Khabarovsk Territory, the Amur Region, the Magadan Region, and the Jewish Autonomous Region, chaired by Deputy Prime Minister of the Russian Federation and Plenipotentiary Representative of the President of the Russian Federation in the Far Eastern Federal District Yu. P. Trutnev	February 17, 2014
23	February 10, 2014	П17-5003	A. V. Soroko Government of the Russian Federation	Concerning the submission of information on income, expense, and property pursuant to Decree of the President of the Russian Federation No. 309 of April 2, 2013, "On Measures to Implement Certain Provisions of the Federal Law 'On Combating Corruption'"	April 25, 2014
24	February 10, 2014	П36-5368	M. German Government Executive Office of the Russian Federation	Concerning the meeting held at 10:00, February 13, 2014, on the expert discussion of the investment program of ROSSETI (including FGC UES) in accordance with paragraph 2 of Instructions of Prime Minister of the Russian Federation D. A. Medvedev No. DM-P9-9473 of December 30, 2013, chaired by Minister of the Russian Federation M. A. Abyzov	February 13, 2014

25	February 10, 2014	АД-П9-882	A. V. Dvorkovich Government of the Russian Federation	Concerning the investment program schedule submitted for review	March 6, 2014
26	February 13, 2014	РД-П4-968	D. Rogozin Government Executive Office of the Russian Federation	Concerning the right granted to ROSSETI to form its in-house security	March 13, 2014
27	February 18, 2014	П36-7330	M. German Government Executive Office of the Russian Federation	Concerning the meeting held at 19:00, February 19, 2014, on the expert discussion of the investment program of ROSSETI (including FGC UES) in accordance with paragraph 2 of Instructions of Prime Minister of the Russian Federation D. A. Medvedev No. DM-P9-9473 of December 30, 2013, chaired by Minister of the Russian Federation M. A. Abyzov	February 19, 2014
28	February 18, 2014	П13-7475	A. Grigorov Government Executive Office of the Russian Federation	Concerning the meeting held at 10:30, February 20, 2014, on investments from the National Wealth Fund of the Russian Federation, chaired by First Deputy Prime Minister of the Russian Federation I. I. Shuvalov (Instructions No. Pr-2803 of November 6, 2013)	February 19, 2014
29	February 20, 2014	П9-7717	N. Linchenko Government Executive Office of the Russian Federation	Concerning the meeting held at 13:00, February 25, 2014, by the Presidium of the Presidential Council on the Implementation of National Priority Projects and Demographic Policy of the Russian Federation on the principal measures, indicators, and parameters of implementing the Housing for Russian Families program and on measures to enhance the affordability of mortgage loans, chaired by Prime Minister of the Russian Federation D. A. Medvedev	February 25, 2014
30	February 20, 2014	АД-П9-1176	A. V. Dvorkovich Deputy Prime Minister of the Russian Federation	Concerning the submission of proposals to link the main measures to develop the Eastern Polygon power infrastructure to the measures to develop the railroad infrastructure subject to paragraph 4 of the grids' schedule for implementing the rehabilitation and modernization project of the Baikal-Amur Mainline and the Trans-Siberian Railroad	February 25, 2014

31	February 24, 2014	П30-8128	A. Lushnikov Government Executive Office of the Russian Federation	Concerning the meeting held at 17:00, February 26, 2014, on the development of railroad transportation and on progress in the implementation of the grids' schedule for defining the principal parameters, areas, and mechanisms of implementing the rehabilitation and modernization project of the Baikal-Amur Mainline and the Trans-Siberian Railroad, chaired by Deputy Prime Minister of the Russian Federation A. V. Dvorkovich (Instructions No. AD-P9-1176 of February 19, 2014, and No. DM-P13-955 of February 11, 2014)	February 26, 2014
32	February 24, 2014	ИШ-П13-1177	I. I. Shuvalov First Deputy Prime Minister of the Russian Federation	Concerning the issue of Instructions No. ISh-P13-1177 of February 17, 2014, "On the Development of the Power Infrastructure in the Area of the Baikal-Amur Mainline and the Trans-Siberian Railroad"	March 5, 2014
33	February 24, 2014	П36-8330	M. German Government Executive Office of the Russian Federation	Concerning the meeting held at 19:00, February 25, 2014, on the expert discussion of the investment program of ROSSETI (including FGC UES) in accordance with paragraph 2 of Instructions of Prime Minister of the Russian Federation D. A. Medvedev No. DM-P9-9473 of December 30, 2013, chaired by Minister of the Russian Federation M. A. Abyzov	February 24, 2014
34	February 27, 2014	22-СПШ	S. I. Shmatko Special Representative of the President of the Russian Federation on International Cooperation in the Electric Power Industry	Concerning the sent draft minutes of the meeting of the Working Group on the Electric Power Industry of the Presidential Commission for Strategic Development of the Fuel and Energy Sector and Environmental Security of the Russian Federation	March 31, 2014
35	March 4, 2014	П36-9670	M. German Government Executive Office of the Russian Federation	Concerning the meeting held at 19:00, March 4, 2014, on the expert discussion of the investment program of ROSSETI (including FGC UES) in accordance with paragraph 2 of Instructions of Prime Minister of the Russian Federation D. A. Medvedev No. DM-P9-9473 of December 30, 2013, chaired by Minister of the Russian Federation M. A. Abyzov	March 4, 2014

36	March 11, 2014	П16-10528	L. Pepelyaeva Government Executive Office of the Russian Federation	Concerning the meeting held at 12:00, March 18, 2014, on progress in the comprehensive development of productive forces, transportation, and energy in the Republic of Sakha (Yakutia) (Instructions No. AD-P16-57pr of August 8, 2012), chaired by Deputy Prime Minister of the Russian Federation A. V. Dvorkovich	March 18, 2014
37	March 11, 2014	Minutes №7	Yu. P. Trutnev Government Executive Office of the Russian Federation	Concerning the sending of the minutes of the meeting of the Governmental Commission on the Relief of the Consequences of the Large Flood in the Republic of Sakha (Yakutia), the Primorie Territory, the Khabarovsk Territory, the Amur Region, the Magadan Region, and the Jewish Autonomous Region, chaired by Deputy Prime Minister of the Russian Federation and Plenipotentiary Representative of the President of the Russian Federation in the Far Eastern Federal District Yu. P. Trutnev	March 18, 2014
38	March 11, 2014	Minutes №1	O. Golodets Government of the Russian Federation	Concerning the sending of the minutes of the meeting of the Board of Trustees of the Primorsky Opera and Ballet Theater	April 15, 2014
39	March 12, 2014	АД-П9-1619	A. V. Dvorkovich Deputy Prime Minister of the Russian Federation	Concerning the submission of the action plan to shut down, mothball, and subsequently liquidate Himprom	March 21, 2014
40	March 12, 2014	П13-11200	V. Sidorenko Government Executive Office of the Russian Federation	Concerning the submission of the list of the Company's key performance indicators with the approved calculation techniques and approved targets for 2014 (Action Plan No. 6732p-P9 of November 11, 2013)	March 19, 2014
41	March 14, 2014	П9-11829	V. Shogenov Government Executive Office of the Russian Federation	Concerning the meeting held at 17:00, March 17, 2014, chaired by Deputy Prime Minister of the Russian Federation A. V. Dvorkovich	March 17, 2014
42	March 17, 2014	П9-11982	V. Torsunov Government Executive Office of the Russian Federation	Concerning the meeting held at 18:00, March 19, 2014, on the development of the infrastructure of the Skolkovo Innovation Center, chaired by Deputy Prime Minister of the Russian Federation A. V. Dvorkovich	March 19, 2014

43	March 17, 2014	П9-12143	V. Shogenov Government Executive Office of the Russian Federation	Concerning the meeting held at 18:30, March 18, 2014, on the power supply for the Kaliningrad Region, chaired by Deputy Prime Minister of the Russian Federation A. V. Dvorkovich	March 18, 2014
44	March 17, 2014	П9-12032	V. Torsunov Government Executive Office of the Russian Federation	Concerning the meeting held at 12:00, March 18, 2014, by the Presidium of the Presidential Council on the Implementation of National Priority Projects and Demographic Policy of the Russian Federation on the principal measures, indicators, and parameters of implementing the Housing for Russian Families program and on measures to enhance the affordability of mortgage loans, chaired by Prime Minister of the Russian Federation D. A. Medvedev	March 18, 2014
45	March 17, 2014	A67-1612	L. Osipov Presidential Executive Office of the Russian Federation	Concerning the consideration of the issue related to the creation of the united power and metallurgical complex composed of Nadvoitsy Aluminium Smelter, Onda HPP, and grid facilities	March 27, 2014
46	March 17, 2014	П36-12063	M. German Government Executive Office of the Russian Federation	Concerning the meeting held at 10:00, March 19, 2014, on the expert discussion of the investment program of ROSSETI (including FGC UES) in accordance with paragraph 2 of Instructions of Prime Minister of the Russian Federation D. A. Medvedev No. DM-P9-9473 of December 30, 2013, chaired by Minister of the Russian Federation M. A. Abyzov	March 19, 2014
47	March 17, 2014	П9-12119	V. Torsunov Government Executive Office of the Russian Federation	Concerning the meeting held at 18:00, March 19, 2014, on the development of the infrastructure of the Skolkovo Innovation Center, chaired by Deputy Prime Minister of the Russian Federation A. V. Dvorkovich	March 19, 2014
48	March 18, 2014	П16-12233	L. Pepelyaeva Government Executive Office of the Russian Federation	Concerning the meeting held at 17:00, March 18, 2014, on progress in the comprehensive development of productive forces, transportation, and energy in the Republic of Sakha (Yakutia) (Instructions No. AD-P16-57pr of August 8, 2012), chaired by Deputy Prime Minister of the Russian Federation A. V. Dvorkovich	March 18, 2014

49	March 21, 2014	АД-П9-1810	A. V. Dvorkovich Deputy Prime Minister of the Russian Federation	Concerning the drafts of open joint-stock companies' investment programs sent to the Government of the Russian Federation for preparation and submission (schedule for the review by the Government of the Russian Federation of the drafts of companies' and enterprises' investment programs)	March 14, 2014
50	March 25, 2014	П30-13733	A. Lushnikov Government Executive Office of the Russian Federation	Concerning the meeting held at 17:00, March 27, 2014, by the working group on progress in implementing the grids' schedule for carrying out measures aimed at the long-term comprehensive development of the existing and future port facilities in the Taman Peninsula and on the problems of providing the Republic of Crimea and the federal city of Sevastopol with the necessary transportation and power infrastructure, chaired by Deputy Prime Minister of the Russian Federation A. V. Dvorkovich	March 27, 2014
51	March 25, 2014	П9-13783	A. Uvarov Government Executive Office of the Russian Federation	Concerning the sending of an appeal from Assistant to the President of the Russian Federation A. R. Belousov for elaboration in relation to the creation of the united power and metallurgical complex composed of Nadvoitsy Aluminium Smelter, Onda HPP, and grid facilities	March 28, 2014
52	March 26, 2014	П9-14020	V. Ampilogov Government Executive Office of the Russian Federation	Concerning information provided about the creation of the united power and metallurgical complex composed of Nadvoitsy Aluminium Smelter, Onda HPP, and grid facilities with the draft of a report to President of the Russian Federation V. V. Putin	March 28, 2014
53	March 27, 2014	П9-14202	V. Ampilogov Government Executive Office of the Russian Federation	Concerning the meeting held at 12:30, March 28, on the creation of the united power and metallurgical complex composed of Nadvoitsy Aluminium Smelter, Onda HPP, and grid facilities, chaired by Deputy Prime Minister of the Russian Federation A. V. Dvorkovich	March 28, 2014
54	March 28, 2014	П30-14376	A. Lushnikov Government Executive Office of the Russian Federation	On the cancelation of the 17:00, March 27, 2014, meeting of the interdepartmental working group on the development of railroad transportation, chaired by Deputy Prime Minister of the Russian Federation A. V. Dvorkovich	March 27, 2014

55	March 31, 2014	43-СПШ	S. I. Shmatko Special Representative of the President of the Russian Federation on International Cooperation in the Electric Power Industry	Concerning the sent minutes of the February 14, 2014, meeting of the Working Group on the Electric Power Industry of the Presidential Commission for Strategic Development of the Fuel and Energy Sector and Environmental Security of the Russian Federation	April 30, 2014
56	March 31, 2014	П30-14965	A. Lushnikov Government Executive Office of the Russian Federation	Concerning the meeting held at 12:15, April 1, 2014, by the working group on implementing the grids' schedule for carrying out measures aimed at the long-term comprehensive development of the existing and future port facilities in the Taman Peninsula, chaired by Deputy Prime Minister of the Russian Federation A. V. Dvorkovich	April 1, 2014
57	April 1, 2014	АД-П9-2125	A. V. Dvorkovich Deputy Prime Minister of the Russian Federation	Concerning the consideration of the issue related to the creation of the united power and metallurgical complex composed of Nadvoitsy Aluminium Smelter, Onda HPP, and grid facilities	April 4, 2014
58	April 2, 2014	Minutes №37	D. A. Medvedev Prime Minister of the Russian Federation	Concerning the sent minutes of the meeting of the Presidium of the Presidential Council on the Implementation of National Priority Projects and Demographic Policy of the Russian Federation on the principal measures, indicators, and parameters of implementing the Housing for Russian Families program and on measures to enhance the affordability of mortgage loans	April 17, 2014
59	April 7, 2014	АД-П9-32пр	A. V. Dvorkovich Deputy Prime Minister of the Russian Federation	Concerning the sent minutes of the meeting on the electricity supply for the Kaliningrad Region	April 30, 2014
60	April 7, 2014	АД-П16-34пр	A. V. Dvorkovich Deputy Prime Minister of the Russian Federation	Concerning the sent minutes of the meeting on progress in the comprehensive development of productive forces, transportation, and energy in the Republic of Sakha (Yakutia) (Instructions No. AD-P16-57pr of August 8, 2012), chaired by Deputy Prime Minister of the Russian Federation A. V. Dvorkovich	April 30, 2014

61	April 7, 2014	АД-П9-33пр	A. V. Dvorkovich Deputy Prime Minister of the Russian Federation	Concerning the sent minutes of the meeting on the development of the infrastructure of the Skolkovo Innovation Center	April 28, 2014
62	April 14, 2014	А4-26-229	A. Ustinov Presidential Executive Office of the Russian Federation	Concerning the sending of summary statistics on the fuel and energy sector's key indicators for 2013	April 23, 2014
63	April 15, 2014	П36-17619	M. German Government Executive Office of the Russian Federation	Concerning the meeting held at 15:00, April 16, 2014, on the expert discussion of the investment program of ROSSETI (including FGC UES), chaired by Minister of the Russian Federation M. A. Abyzov	April 17, 2014
64	April 16, 2014	П16-17970	L. Pepelyaeva Government Executive Office of the Russian Federation	Concerning the meeting held in Khabarovsk on April 25, 2014, by the Governmental Commission on the Socioeconomic Development of the Far East	April 25, 2014
65	April 16, 2014	ДМ-П9-2451	D. A. Medvedev Prime Minister of the Russian Federation	Concerning tightened control over the electric grid sector development projects implemented by ROSSETI and concerning the consideration of the issue related to indemnification for damage caused to the government	April 23, 2014
66	April 17, 2014	П16-18270	L. Pepelyaeva Government Executive Office of the Russian Federation	Concerning the sent agenda of the meeting of the Governmental Commission on the Socioeconomic Development of the Far East scheduled to take place in Khabarovsk on April 25, 2014	April 24, 2014
67	April 18, 2014	П30-18340	V. Dmitriev Government Executive Office of the Russian Federation	Concerning the meeting held at 14:30, April 28, 2014, on progress in the construction of the Skolkovo Innovation Center, chaired by Prime Minister of the Russian Federation D. A. Medvedev	April 28, 2014
68	April 21, 2014	ДМ-П9-30пр	D. A. Medvedev Prime Minister of the Russian Federation	Concerning the sent minutes of the meeting on the electricity supply for the Kaliningrad Region	April 30, 2014
69	April 21, 2014	АД-П9-2722	A. V. Dvorkovich Deputy Prime Minister of the Russian Federation	Concerning assistance and support in relation to project promotion in accordance with the Minutes of the Meeting of the Co-Chairmen of the Russian-Chinese Intergovernmental Commission on Energy Cooperation of April 9, 2014	May 19, 2014

70	April 22, 2014	П16-19267	Yu. Skorinov Government Executive Office of the Russian Federation	Concerning the provision of materials for the meeting of the Governmental Commission on the Socioeconomic Development of the Far East scheduled to take place in Khabarovsk on April 25, 2014	April 25, 2014
71	April 22, 2014	A21-1967	S. Vakhrukov Presidential Executive Office of the Russian Federation, Executive Office of the Security Council of the Russian Federation	Concerning the consideration of the issue related to the formation of ROSSETI's in-house security	May 7, 2014
72	April 23, 2014	П12-19581	V. Korolenko Government Executive Office of the Russian Federation	Concerning the meeting held at 19:00, April 24, 2014, on the liquidation of the Sochi 2014 Organizing Committee, chaired by Deputy Prime Minister of the Russian Federation D. N. Kozak	April 24, 2014
73	April 23, 2014	АД-П9-2839	A. V. Dvorkovich Deputy Prime Minister of the Russian Federation	Concerning the failure to implement Instructions of the Government of the Russian Federation No. AD-P9-2125 of April 1, 2014	April 4, 2014
74	April 28, 2014	ИШ-П9-2884	I. I. Shuvalov First Deputy Prime Minister of the Russian Federation	Concerning the Action Plan to Limit the Ultimate Cost of Goods and Services of Infrastructure Companies with Their Financial Stability and Investor Appeal to Be Maintained submitted for supervision over its implementation (6732p-P9 of November 11, 2013)	May 23, 2014
75	April 30, 2014	ИШ-П13-2920	I. I. Shuvalov First Deputy Prime Minister of the Russian Federation	Concerning the corporate actions related to the approval of FGC UES's holding a stake in TaygaEnergoStroy	May 29, 2014
76	May 7, 2014	A8-4237-5	M. Beskhamelnitsyn Presidential Executive Office of the Russian Federation, Control Directorate of the President of the Russian Federation	Concerning information provided about measures to correct deficiencies found by the All-Russia People's Front and improve the operating efficiency of electric grid companies	May 27, 2014

77	May 7, 2014	ДМ-П8-36пр	D. A. Medvedev Prime Minister of the Russian Federation	Concerning the sending of the minutes of the April 28, 2014, meeting on the construction of the Skolkovo Innovation Center, chaired by Prime Minister of the Russian Federation D. A. Medvedev	
78	May 8, 2014	Протокол № 2	D. A. Medvedev Prime Minister of the Russian Federation	Concerning the sending of Minutes of the Meeting of the Governmental Commission on the Socioeconomic Development of the Far East No. 2 of April 25, 2014	May 15, 2014 May 20, 2014 May 15, 2014
79	May 8, 2014	ДМ-П17-3229	D. A. Medvedev Prime Minister of the Russian Federation	Concerning the submission of proposals and reports to ensure the implementation of Decree of the President of the Russian Federation No. 226 of April 11, 2014, "On the National Plan of Combating Corruption for 2014–2015"	For implementation in 2015
80	May 14, 2014	П16-22501	L. Pepelyaeva Government Executive Office of the Russian Federation	Concerning the meeting held in Khabarovsk on May 20, 2014, by the Governmental Commission on the Relief of the Consequences of the Large Flood in the Republic of Sakha (Yakutia), the Primorie Territory, the Khabarovsk Territory, the Amur Region, the Magadan Region, and the Jewish Autonomous Region	May 16, 2014
81	May 15, 2014	П9-22829	Ye. Ditrikh Government Executive Office of the Russian Federation	Concerning the meeting held at 15:00, May 19, 2014, by the interdepartmental working group on the development of railroad transportation "On the Review of the Updated Development Plan for the Baikal-Amur Mainline and the Trans-Siberian Railroad" pursuant to paragraphs 2, 3, and 5 of Minutes No. 2 of February 26, 2014, chaired by Deputy Prime Minister of the Russian Federation A. V. Dvorkovich	May 19, 2014
82	May 15, 2014	1674-Ф-ИП	A. V. Dvorkovich Skolkovo Foundation	Concerning the Startup Village event held from June 2 to June 3, 2014, as part of the Russian Startup Tour 2014	June 3, 2014
83	May 16, 2014	П16-23403	L. Pepelyaeva Government Executive Office of the Russian Federation	Concerning the meeting held at 15:00, May 19, 2014, on the completion of facilities for the 2012 APEC Summit, chaired by Deputy Prime Minister of the Russian Federation I. I. Shuvalov	May 19, 2014
84	May 16, 2014	П9-23367	L. Anisimova Government Executive Office of the Russian Federation	Concerning the meeting held at 14:00, May 28, 2014, on the approval of the Security Rules for Infrastructure Facilities of the Fuel and Energy Sector, chaired by Deputy Prime Minister of the Russian Federation A. V. Dvorkovich	May 28, 2014

85	May 16, 2014	A51-4049	V. I. Bulavin Executive Office of the Plenipotentiary Representative of the President of the Russian Federation	Concerning the meeting held at 10:00, May 22, 2014, on the improvement of the electric grid sector management system of the Northwestern Federal District, chaired by Plenipotentiary Representative of the President of the Russian Federation in the Northwestern Federal District V. Bulavin, as part of the St. Petersburg International Economic Forum	May 20, 2014
86	May 19, 2014	П116-23734	S. Nechaeva Government Executive Office of the Russian Federation	Concerning the meeting held at 16:00, May 21, 2014, on the completion of facilities for the 2012 APEC Summit, chaired by Deputy Prime Minister of the Russian Federation I. I. Shuvalov	May 21, 2014
87	May 23, 2014	3092П-П117	S. E. Prikhodko Government Executive Office of the Russian Federation	Concerning the publication of information on income, expense, property, and property obligations on the official website of the organization pursuant to Decree of the President of the Russian Federation No. 613 of July 8, 2013, "Issues of Combating Corruption"	May 28, 2014
88	May 26, 2014	П9-24997	V. Ampilogov Government Executive Office of the Russian Federation	Concerning the meeting held at 09:30, May 30, 2014, on the approval of the Security Rules for Infrastructure Facilities of the Fuel and Energy Sector, chaired by Deputy Prime Minister of the Russian Federation A. V. Dvorkovich	May 30, 2014
89	May 26, 2014	П9-24411	V. Ampilogov Government Executive Office of the Russian Federation	Concerning the consideration of the proposal received from Fuzhu Feng, Managing Director of Shandong Ruitai Glass Insulator Co., Ltd., China, to supply suspension insulators to Russia	June 4, 2014
90	May 26, 2014	Minutes №3	A. V. Dvorkovich Deputy Prime Minister of the Russian Federation	Concerning the sent minutes of the meeting "On the Review of the Updated Development Plan for the Baikal-Amur Mainline and the Trans-Siberian Railroad"	June 17, 2014
91	May 28, 2014	П9-25528	V. Shogenov Government Executive Office of the Russian Federation	Concerning the meeting held at 13:00, May 28, 2014, on the results of the power supply audit of the Far Eastern Federal District, chaired by Deputy Prime Minister of the Russian Federation and Plenipotentiary Representative of the President of the Russian Federation in the Far Eastern Federal District Yu. P. Trutnev	May 28, 2014

92	May 30, 2014	ЮТ-П9-3865	Yu. P. Trutnev Government Executive Office of the Russian Federation	Concerning measures to ensure the implementation of Instructions of President of the Russian Federation V. V. Putin No. Pr-1155 of May 22, 2014, with respect to the comprehensive development of the Far East to create local metallurgical resources	June 23, 2014
93	June 2, 2014	П9-26392	V. Ampilogov Government Executive Office of the Russian Federation	On the cancelation of the meeting chaired by Deputy Prime Minister of the Russian Federation A. V. Dvorkovich on the consideration of the draft resolution of the Government of the Russian Federation "On the Approval of the Security Rules for Infrastructure Facilities of the Fuel and Energy Sector"	June 6, 2014
94	June 3, 2014	A52-1803-34	V. Gurba Executive Office of the Plenipotentiary Representative of the President of the Russian Federation in the Southern Federal District	Concerning the consideration of the request from Acting Head of the Chief Directorate for Road and Aerodrome Construction of the Federal Agency for Special Construction of the Russian Federation A. Ye. Morin for an increase in capacity to 850 kW and accelerated network connection to Yuzhny, a branch of Oboronenergo	August 8, 2014
95	June 3, 2014	ИИИ-П16-52np	I. I. Shuvalov First Deputy Prime Minister of the Russian Federation	Concerning the sent minutes of the meeting on the commissioning of facilities for the 2012 APEC Summit	June 10, 2014
96	June 4, 2014	П9-26704	V. Torsunov Government Executive Office of the Russian Federation	Concerning the meeting held on June 10, 2014, on the layout of federal and regional facilities in the Republic of Crimea and Sevastopol, chaired by Deputy Prime Minister of the Russian Federation D. N. Kozak	June 10, 2014
97	June 4, 2014	П9-26914	V. Torsunov Government Executive Office of the Russian Federation	Concerning the meeting held on June 9, 2014, on the layout of federal and regional facilities in the Republic of Crimea and Sevastopol, chaired by Deputy Prime Minister of the Russian Federation D. N. Kozak	June 9, 2014
98	June 6, 2014	Пр-1282	V. V. Putin President of the Russian Federation	Concerning the sent list of instructions based on the results of the May 28, 2014, meeting of the President of the Russian Federation with members of the Government of the Russian Federation	June 18, 2014

99	June 9, 2014	A4-10150П6а	A. Belousov Presidential Executive Office of the Russian Federation	Concerning the National High-Technology Skills Competition scheduled for October 20– 24, 2014, and based on WorldSkills techniques	October 24, 2014
100	June 9, 2014	21	D. A. Medvedev Prime Minister of the Russian Federation	Concerning the draft of the investment program of ROSSETI (including FGC UES) for 2015–2019	June 30, 2014 August 21, 2014
101	June 16, 2014	Пр-1357	V. V. Putin President of the Russian Federation	Concerning the issue of Instructions of the President of the Russian Federation No. Pr-1357 of June 11, 2014, “On Proposals Submitted by ROSSETI and Rostec for Import Substitution”	June 30, 2014
102	June 16, 2014	ДК-П9-109пр	D. N. Kozak Government of the Russian Federation	Concerning the sent minutes of the meeting on the layout of federal and regional facilities in the Republic of Crimea and Sevastopol	June 18, 2014
103	June 16, 2014	ДК-П9-113пр	D. N. Kozak Government of the Russian Federation	Concerning the sent minutes of the meeting on tariffs charged by natural monopolies and public utilities in the Crimean Federal District	June 25, 2014
104	June 17, 2014	АД-П9-4395	A. V. Dvorkovich Deputy Prime Minister of the Russian Federation	Concerning the issue of Instructions of Deputy Prime Minister of the Russian Federation No. AD-P9-4395 of June 14, 2014, “On Switching over to Payments for Electricity Transmission Services Through the Unified National (All-Russian) Electric Grid for Actual Capacity from July 1, 2014, and Maintaining the Existing Procedure for Electricity Transmission Services Provided by FGC UES Based on Requested Capacity”	June 27, 2014 June 23, 2014 June 25, 2014 July 7, 2014 July 24, 2014 July 14, 2014
105	June 17, 2014	ЮТ-П9-20пр	Yu. P. Trutnev Government Executive Office of the Russian Federation	Concerning the sent minutes of the meeting on the implementation of investment projects in the Far Eastern Federal District, chaired by Deputy Prime Minister of the Russian Federation and Plenipotentiary Representative of the President of the Russian Federation in the Far Eastern Federal District Yu. P. Trutnev	June 24, 2014
106	June 18, 2014	АД-П9-4367	A. V. Dvorkovich Deputy Prime Minister of the Russian Federation	Concerning the issue of the Instructions of Deputy Prime Minister of the Russian Federation A. V. Dvorkovich “On the Approval of the Action Plan (Road Map) to Implement Measures to Ensure the Development of the Energy Sector of the Kaliningrad Region”	June 25, 2014

107	June 20, 2014	ИШ-П9-4576	I. I. Shuvalov First Deputy Prime Minister of the Russian Federation	Concerning the implementation of Instructions of the President of the Russian Federation No. Pr-1357 of June 10, 2014	June 30, 2014
108	June 23, 2014	ДК-П9-4472	D. N. Kozak Government of the Russian Federation	Concerning the submission of proposals for the draft of the federal target-oriented program “Socioeconomic Development of the Republic of Crimea and the Federal City of Sevastopol Until 2020” pursuant to paragraphs 27 and 30 of Instructions of the Government of the Russian Federation No. DM-P16-19pr of March 24, 2014	June 27, 2014
109	July 3, 2014	Пр-1518	V. V. Putin President of the Russian Federation	Concerning the sent list of instructions based on the results of the June 9, 2014, meeting on the socioeconomic development of the Arkhangelsk Region	July 16, 2014
110	July 4, 2014	4236п-П13	D. A. Medvedev Prime Minister of the Russian Federation	Concerning the sent meeting plan of the Government of the Russian Federation for July–December 2014	July 14, 2014 August 7, 2014 July 21, 2014 August 26, 2014 December 17, 2014 October 31, 2014 December 18, 2014 December 25, 2014
111	July 7, 2014	АД-П9-4927	A. V. Dvorkovich Deputy Prime Minister of the Russian Federation	Concerning the additional elaboration of the resolution “On the Approval of the Security Rules for Infrastructure Facilities of the Fuel and Energy Sector”	July 10, 2014
112	July 7, 2014	АД-П9-4933	A. V. Dvorkovich Deputy Prime Minister of the Russian Federation	Concerning the submission for agreement of the draft of the Federal Law “On Amendments to the Land Code of the Russian Federation and Other Legislative Acts of the Russian Federation with Respect to the Simplification of the Procedure for Allocating and Using Plots of Land for the Construction, Rehabilitation, and Major Repair of Electric Power Facilities” pursuant to Instructions No. AD-P9-141 of January 14, 2014	November 28, 2014

113	July 7, 2014	A55-3302AΦ	A. Filichev Executive Office of the Plenipotentiary Representative of the President of the Russian Federation in the Siberian Federal District	Concerning the consideration of adjustments to the investment program of FGC UES for 2015–2019 as related to postponing the commissioning of Voskhod Substation to 2016	July 23, 2014
114	July 7, 2014	Π9-32109	A. Uvarov Government Executive Office of the Russian Federation	Concerning the sent list of instructions of the Government of the Russian Federation in relation to the socioeconomic development of the Crimean Federal District's constituent entities of the Russian Federation	July 17, 2014
115	July 9, 2014	10	D. A. Medvedev Prime Minister of the Russian Federation	Concerning the sent minutes of the meeting of the Governmental Commission on the Socioeconomic Development of the North Caucasian Federal District	October 30, 2014 July 31, 2014 August 13, 2014
116	July 9, 2014	A21-3415	V. Nazarov Presidential Executive Office of the Russian Federation, Executive Office of the Security Council of the Russian Federation	Concerning the meeting held in Gorno-Altai from September 2 to September 3, 2014, chaired by Secretary of the Security Council of the Russian Federation N. P. Patrushev jointly with Plenipotentiary Representative of the President of the Russian Federation in the Siberian Federal District N. Ye. Rogozhkin	August 20, 2014
117	July 10, 2014	Π9-33129	V. Shogenov Government Executive Office of the Russian Federation	Concerning information provided about the development of the utility infrastructure of Moscow's new territory	July 10, 2014
118	July 11, 2014	ДК-Π9-5130	D. N. Kozak Government of the Russian Federation	Concerning the submission of proposals for the construction and rehabilitation of infrastructure facilities located in the Republic of Crimea and the federal city of Sevastopol pursuant to Instructions No. DM-P16-19pr of March 24, 2014 (paragraph 27) and No. P9-25200 of May 26, 2014 (paragraph 5)	July 17, 2014

119	July 17, 2014	П9-34475	V. Shogenov Government Executive Office of the Russian Federation	Concerning the consensus meeting held at 10:30, July 24, 2014, on the draft resolution of the Government of the Russian Federation "On Amendments to Certain Acts of the Government of the Russian Federation With Respect to Supporting Qualified Generation Facilities Operating on Renewable Energy Sources and Selling Electricity in Retail Markets," chaired by Deputy Prime Minister of the Russian Federation A. V. Dvorkovich	July 24, 2014
120	July 21, 2014	A55-3771AФ	A. Filichev Executive Office of the Plenipotentiary Representative of the President of the Russian Federation in the Siberian Federal District	Concerning the implementation of the pilot projects specified in the road map for the creation of a new generation of highly integrated intelligent super grids and distribution grids (Ordinance No. 1217-r of July 3, 2014)	October 2, 2014
121	July 22, 2014	A4-26-443	A. Ustinov Presidential Executive Office of the Russian Federation	Concerning the sent minutes of the meeting of the Presidential Commission for Strategic Development of the Fuel and Energy Sector and Environmental Security of the Russian Federation of June 4, 2014	August 27, 2014 December 1, 2014 December 18, 2014
122	July 28, 2014	П9-36367	N. Linchenko Government Executive Office of the Russian Federation	Concerning information provided about the decisions made by Deputy Prime Minister of the Russian Federation D. N. Kozak on further control over the implementation of the decision of the Governmental Commission on Territorial Planning in the Russian Federation and the instructions of the Government of the Russian Federation with respect to territorial planning	August 6, 2014
123	August 4, 2014	АД-П9-5865	A. V. Dvorkovich Deputy Prime Minister of the Russian Federation	Concerning measures to ensure the implementation of the instructions contained in Minutes of the Meeting of the Presidential Commission for Strategic Development of the Fuel and Energy Sector and Environmental Security of the Russian Federation No. A4-26-368 of June 4, 2014	August 27, 2014 December 1, 2014 December 18, 2014
124	August 4, 2014	АД-П9-104пп	A. V. Dvorkovich Deputy Prime Minister of the Russian Federation	Concerning the sent minutes of the meeting on the consideration of disagreements among federal executive authorities with respect to the drafts of acts of the Government of the Russian Federation aiming to improve the mechanism for supporting generation facilities operating on renewable energy sources in retail electricity (capacity) markets	August 18, 2014

125	August 12, 2014	ДМ-П36-6057	D. A. Medvedev Prime Minister of the Russian Federation	Concerning the sent instructions of the Prime Minister of the Russian Federation based on the results of the July 25, 2014, meeting with members of the Expert Council of the Government of the Russian Federation and the expert community with respect to the development of innovations	December 5, 2014
126	August 12, 2014	П30-38629	O. Khorokhordin Government Executive Office of the Russian Federation	Concerning the sent minutes of the meeting of the working group on updating the concept of setting up the Education, Research, and Development Center in the Tomsk Region (No. 51-OF of June 25, 2014)	September 24, 2014
127	August 12, 2014	П9-38920	V. Torsunov Government Executive Office of the Russian Federation	Concerning the meeting held at 13:00, August 20, 2014, on the comprehensive development of Moscow's new territories in the Troitsk Administrative District and the Novomoskovsky Administrative District, chaired by Prime Minister of the Russian Federation D. A. Medvedev	August 20, 2014
128	August 18, 2014	П16-39487	L. Pepelyaeva Government Executive Office of the Russian Federation	Concerning the regular meeting held on August 26, 2014, by the Governmental Commission on the Relief of the Consequences of the Large Flood in the Republic of Sakha (Yakutia), the Primorie Territory, the Khabarovsk Territory, the Amur Region, the Magadan Region, and the Jewish Autonomous Region	August 26, 2014
129	August 19, 2014	49-СПШ	S. I. Shmatko Special Representative of the President of the Russian Federation on International Cooperation in the Electric Power Industry	Concerning the submission of proposals for inclusion in the meeting plan of the Working Group on the Electric Power Industry of the Presidential Commission for Strategic Development of the Fuel and Energy Sector and Environmental Security in 2014–2015	September 17, 2014
130	August 25, 2014	5405П-П7	I. Borovkov Government Executive Office of the Russian Federation	Concerning the 11th Moscow International Innovative Forum and Exhibition "Precise Measurements – the Basis of Quality and Safety" scheduled for May 19–21, 2015	For implementation in 2015
131	August 26, 2014	ДМ-П9-61пр	D. A. Medvedev Prime Minister of the Russian Federation	Concerning the sending of Minutes of the Meeting No. DM-P9-61pr of August 20, 2014, on the comprehensive development of Moscow's new territories, chaired by Prime Minister of the Russian Federation D. A. Medvedev	October 16, 2014

132	August 27, 2014	1623-p	D. A. Medvedev Prime Minister of the Russian Federation	Concerning the sent ordinance of the Government of the Russian Federation to approve the Action Plan (Road Map) "On Securing the Power Supply for the Kaliningrad Region and the Russian Northwest Integrated Power System	October 20, 2014
133	August 27, 2014	П36-41241	M. German Government Executive Office of the Russian Federation	Concerning the meeting held at 17:00, August 27, 2014, on the expert discussion of the investment programs of ROSSETI and FGC UES with the participation of members of the Expert Council of the Government of the Russian Federation, chaired by Minister of the Russian Federation M. A. Abyzov	September 5, 2014
134	August 27, 2014	1623-p	D. A. Medvedev Prime Minister of the Russian Federation	Concerning the sent ordinance of the Government of the Russian Federation to approve the Action Plan (Road Map) "On Securing the Power Supply for the Kaliningrad Region and the Russian Northwest Integrated Power System	September 1, 2014 September 26, 2014 October 3, 2014 October 3, 2014 December 1, 2014 - -
135	August 28, 2014	П9-41474	A. Uvarov Government Executive Office of the Russian Federation	Concerning the submission of proposals to adjust the Action Plan to Limit the Ultimate Cost of Goods and Services of Infrastructure Companies with Their Financial Stability and Investor Appeal to Be Maintained pursuant to Instructions No. ISh-P9-2884 of April 23, 2014	September 5, 2014
136	September 2, 2014	П36-41939	M. German Government Executive Office of the Russian Federation	Concerning the meeting held at 10:00, September 4, 2014, on the expert discussion of the investment programs of ROSSETI and FGC UES with the participation of members of the Expert Council of the Government of the Russian Federation, chaired by Minister of the Russian Federation M. A. Abyzov	September 4, 2014
137	September 2, 2014	П36-42208	M. German Government Executive Office of the Russian Federation	Concerning the meeting held at 17:00, September 5, 2014, on the expert discussion of the investment programs of ROSSETI and FGC UES with the participation of members of the Expert Council of the Government of the Russian Federation, chaired by Minister of the Russian Federation M. A. Abyzov	September 5, 2014

138	September 3, 2014	A21-4447	V. Nazarov Presidential Executive Office of the Russian Federation, Executive Office of the Security Council of the Russian Federation	Concerning the meeting held in Gorno-Altaiisk from October 28 to October 29, 2014, chaired by Secretary of the Security Council of the Russian Federation N. P. Patrushev jointly with Plenipotentiary Representative of the President of the Russian Federation in the Siberian Federal District N. Ye. Rogozhkin	October 27, 2014
139	September 8, 2014	АД-П9-6701	A. V. Dvorkovich Deputy Prime Minister of the Russian Federation	Concerning the drafts of open joint-stock companies' investment programs sent to the Government of the Russian Federation for preparation and submission (schedule for the review by the Government of the Russian Federation of the drafts of companies' and enterprises' investment programs) (Instructions No. AD-P9-1810 of March 17, 2014)	September 10, 2014 September 18, 2014 September 18, 2014
140	September 9, 2014	A6-8159	L. Brycheva Presidential Executive Office of the Russian Federation, Legal Directorate of the President of the Russian Federation	Concerning the review of the draft of the Federal Law "Amendments to the Federal Law 'On Nonprofit Associations of Private Gardeners, Market Gardeners, and Cottagers'"	September 24, 2014
141	September 10, 2014	66-СПШ	S. I. Shmatko Special Representative of the President of the Russian Federation on International Cooperation in the Electric Power Industry	Concerning the meeting held at 14:30, September 16, 2014, on the reliable electricity supply for the Northwestern Federal District and the Kaliningrad Region in case of the terminated joint operation of the energy systems of the Baltic countries and Russia's United Power System	September 16, 2014
142	September 11, 2014	9	Yu. P. Trutnev Government Executive Office of the Russian Federation	Concerning the sending of Minutes of the Meeting of the Governmental Commission No. 9 of August 26, 2014, on the Relief of the Consequences of the Large Flood in the Republic of Sakha (Yakutia), the Primorie Territory, the Khabarovsk Territory, the Amur Region, the Magadan Region, and the Jewish Autonomous Region	September 11, 2014

143	September 11, 2014	A55-4855AΦ	A. Filichev Executive Office of the Plenipotentiary Representative of the President of the Russian Federation in the Siberian Federal District	Concerning the meeting held in Novosibirsk at 13:00, September 30, 2014, on the Siberian Federal District's energy security during the International Industrial Exhibition, chaired by Plenipotentiary Representative of the President of the Russian Federation in the Siberian Federal District N. Ye. Rogozhkin	September 30, 2014
144	September 11, 2014	П36-43335	M. German Government Executive Office of the Russian Federation	Concerning the meeting held at 11:00, September 12, 2014, on the expert discussion of the long-term development programs of ROSSETI and FGC UES, chaired by Minister of the Russian Federation M. A. Abyzov	September 12, 2014
145	September 11, 2014	П36-43854	M. German Government Executive Office of the Russian Federation	Concerning the meeting held at 13:00, September 12, 2014, on the expert discussion of the draft of the long-term development program and key performance indicators ROSSETI as part of implementing paragraph 5 of Section I of Minutes of the Meeting of the Government of the Russian Federation No. 3 of January 30, 2014	September 12, 2014
146	September 16, 2014	П36-44401	M. German Government Executive Office of the Russian Federation	Concerning the meeting held at 18:00, September 16, 2014, on the expert discussion of the investment programs of ROSSETI and FGC UES, and concerning the meeting held at 14:30, September 17, 2014, on their long-term development programs, chaired by Minister of the Russian Federation M. A. Abyzov	September 16, 2014
147	September 16, 2014	П9-44211	V. Shogenov Government Executive Office of the Russian Federation	Concerning the meeting held at 09:30, September 17, 2014, on determining customers' obligations to pay for electricity distribution services with due consideration to payment for reserved maximum capacity, chaired by Deputy Prime Minister of the Russian Federation A. V. Dvorkovich	September 17, 2014
148	September 18, 2014	П16-44448	L. Pepelyaeva Government Executive Office of the Russian Federation	Concerning the meeting held on October 10, 2014, by the Governmental Commission on the Socioeconomic Development of the Far East	October 10, 2014
149	September 19, 2014	ДК-П9-6963	D. N. Kozak Government of the Russian Federation	Concerning the submission of proposals for the power supply for the Crimean Federal District	October 10, 2014

150	September 26, 2014	37	D. A. Medvedev Prime Minister of the Russian Federation	Concerning the sent extract from Minutes of the Meeting of the Government of the Russian Federation No. 37 of September 25, 2014, "On the Draft of the Long-Term Development Program of FGC UES and on the Review of the Long-Term Development Program of ROSSETI on November 13, 2014"	October 10, 2014
151	September 30, 2014	A50-6173	N. Ovsienko Executive Office of the Plenipotentiary Representative of the President of the Russian Federation in the Central Federal District	Concerning the videoconferenced meeting held at 10:00, October 22, 2014, by the Commission on Emergency Prevention and Relief and Fire Safety under the Plenipotentiary Representative of the President of the Russian Federation in the Central Federal District	October 22, 2014
152	September 30, 2014	П9-46074	A. Uvarov Government Executive Office of the Russian Federation	Concerning the meeting held at 16:00, October 2, 2014, on the implementation of the Rossiya Park project in the Moscow Region	October 2, 2014
153	October 1, 2014	П16-47077	L. Pepelyaeva Government Executive Office of the Russian Federation	Concerning the meeting held at 10:00, October 10, 2014, by the Governmental Commission on the Socioeconomic Development of the Far East	October 10, 2014
154	October 1, 2014	ИШ-П22-252ВПК	I. Sheremet Government Executive Office of the Russian Federation	Concerning the submission of proposals for nominees for inclusion in the working group on GLONASS technology introduction and proposals for the action plan of the working group	October 6, 2014
155	October 2, 2014	АД-П9-142пр	A. V. Dvorkovich Deputy Prime Minister of the Russian Federation	Concerning the sent minutes of the meeting on payment for electricity distribution services with due consideration to payment for reserved maximum capacity	October 29, 2014
156	October 3, 2014	Пр-1530	V. V. Putin President of the Russian Federation	Concerning the sent list of instructions based on the results of the meeting on the efficient and safe development of the Arctic	December 3, 2014
157	October 7, 2014	П13-47969	A. Grigorov Government Executive Office of the Russian Federation	Concerning the consideration of the request from the Vladimir Region Administration (A. V. Marchenko) for an additional gas and electricity supply pursuant to paragraph 2 of Minutes of the Meeting No. DM-P13-21pr of March 19, 2014	October 21, 2014

158	October 7, 2014	АД-П9-7436	A. V. Dvorkovich Deputy Prime Minister of the Russian Federation	Concerning the preparation of the draft of the long-term development program of ROSSETI and its submission for review by the November 13, 2014, meeting of the Government of the Russian Federation	October 28, 2014
159	October 7, 2014	П16-47661	L. Pepelyaeva Government Executive Office of the Russian Federation	Concerning the provision of materials for the October 10, 2014, meeting of the Governmental Commission on the Socioeconomic Development of the Far East	October 10, 2014
160	October 7, 2014	РД-П17-7398	D. Rogozin Government Executive Office of the Russian Federation	Concerning the sent list of legal regulations on anti-corruption that should be developed and approved by federal authorities for the organizations established to achieve the goals of such federal government authorities in pursuing the goals set for the Government of the Russian Federation	For implementation in 2015
161	October 7, 2014	П9-48115	A. Uvarov Government Executive Office of the Russian Federation	Concerning the meeting held at 16:00, October 8, 2014, on progress in implementing the Action Plan to Limit the Ultimate Cost of Goods and Services of Infrastructure Companies with Their Financial Stability and Investor Appeal to Be Maintained pursuant to Instructions No. ISh-P9-2884 of April 23, 2014, chaired by Director of the Industry and Infrastructure Department of the Government of the Russian Federation A. Uvarov	October 8, 2014
162	October 8, 2014	П36-48333	M. Prokhorov Government Executive Office of the Russian Federation	Concerning the meeting held at 14:30, October 9, 2014, on the development of a system of corporate venture capital funds and investment in sector-specific funds or development institutions pursuant to paragraph 12 of Instructions No. DM-P36-6057 of August 9, 2014	October 9, 2014
163	October 10, 2014	П9-48898	D. N. Kozak Government of the Russian Federation	Concerning the sent list of instructions of the Government of the Russian Federation in relation to the socioeconomic development of the Crimean Federal District's constituent entities of the Russian Federation	October 13, 2014
164	October 13, 2014	П36-48993	M. Prokhorov Government Executive Office of the Russian Federation	Concerning the meeting held at 18:00, October 14, 2014, on the long-term development programs of ROSSETI, SO UPS, and RusHydro, chaired by Minister of the Russian Federation M. A. Abyzov	October 14, 2014

165	October 14, 2014	П9-49439	A. Uvarov Government Executive Office of the Russian Federation	Concerning the meeting held at 17:00, October 15, 2014, on the construction of infrastructure facilities in the Taman Peninsula, chaired by Deputy Prime Minister of the Russian Federation D. N. Kozak	October 15, 2014
166	October 16, 2014	П9-49844	V. Shogenov Government Executive Office of the Russian Federation	Concerning the meeting held at 16:00, October 17, 2014, on the financing of the construction of power lines in the Northwest Integrated Power System, chaired by Deputy Prime Minister of the Russian Federation A. V. Dvorkovich	October 17, 2014
167	October 17, 2014	A55-5628AФ	A. Filichev Executive Office of the Plenipotentiary Representative of the President of the Russian Federation in the Siberian Federal District	Concerning the consideration of participation of Siberia MES (a branch of FGC UES) and TDC in the Siberian Energy Association as part of implementing the decisions made by the Council under the Plenipotentiary Representative of the President of the Russian Federation in the Siberian Federal District on November 29, 2013, on the development of the Siberian electric grid sector	January 29, 2015
168	October 24, 2014	П9-51420	V. Shogenov Government Executive Office of the Russian Federation	Concerning the sending of Minutes of the Meeting of the Government Commission on the Development of the Electric Power Industry No. 16 of October 15, 2014, "On the Review of the Long-Term Development Program of ROSSETI"	October 28, 2014 October 28, 2014 October 28, 2014
169	October 24, 2014	A8-10694-5	V. Letunovsky Presidential Executive Office of the Russian Federation	Concerning information provided about compliance with federal laws and Decree of the President of the Russian Federation No. 1567 of November 22, 2012, "On Joint Stock Company ROSSETI" with respect to the development, modernization, and improvement of the electric power industry	November 6, 2014
170	October 24, 2014	A8-10699-5	B. Shvedov Presidential Executive Office of the Russian Federation, Control Directorate of the President of the Russian Federation	Concerning the sent list of questions as to compliance with federal laws and Decree of the President of the Russian Federation No. 1567 of November 22, 2012, "On Joint Stock Company ROSSETI" with respect to the development, modernization, and improvement of the electric power industry	November 6, 2014

171	October 27, 2014	П13-51334	V. Sidorenko Government Executive Office of the Russian Federation	Concerning information provided about the implementation of the pilot project to introduce the National Investment Climate Rating of Constituent Entities of the Russian Federation (paragraph 14 of Instructions No. Pr-3086 of December 12, 2013)	November 10, 2014
172	October 31, 2014	П9-52892	A. Uvarov Government Executive Office of the Russian Federation	Concerning the meeting held at 17:00, November 5, 2014, on the draft resolution of the Government of the Russian Federation "On the Approval of the Security Rules for Infrastructure Facilities of the Fuel and Energy Sector," chaired by Deputy Prime Minister of the Russian Federation A. V. Dvorkovich	November 5, 2014
173	November 6, 2014	П9-53349	A. Uvarov Government Executive Office of the Russian Federation	Concerning the sending of Minutes of the Meeting No. P9-54pr of October 8, 2014, "On the Consideration of Proposals for Adjustments to the Action Plan to Limit the Ultimate Cost of Goods and Services of Infrastructure Companies with Their Financial Stability and Investor Appeal to Be Maintained"	November 14, 2014
174	November 6, 2014	АД-П9-173пр	A. V. Dvorkovich Deputy Prime Minister of the Russian Federation	Concerning the sending of Minutes of the Meeting No. AD-P9-173pr of October 17, 2014, "On the Financing of the Construction of Power Lines in the Northwest Integrated Power System"	January 21, 2015 November 20, 2014
175	November 7, 2014	01-20/1485	G. G. Chinarikhina Analytical Center of the Government of the Russian Federation	Concerning the meeting held from 10:00 to 17:00, November 12, 2014, by the debate club "Energy Efficiency in Russian Industrial Production: White Certificates and Energy Efficiency Commitments"	November 12, 2014
176	November 10, 2014	7439п-П13	I. I. Shuvalov First Deputy Prime Minister of the Russian Federation	Concerning the sending of Directive No. 7439p-P13 of November 5, 2014, on the inclusion of the item "Amendments to the long-term development program" on the agenda of the meeting of the Board of Directors pursuant to the third paragraph of Instructions No. ISh-P8-6196 of August 15, 2014	December 26, 2014
177	November 10, 2014	П16-53605	S. Nechaeva Government Executive Office of the Russian Federation	Concerning the approval of the draft action plan to fulfill the objectives of the socioeconomic development of the Republic of Tuva pursuant to Instructions No. DK-P16-6883 of September 11, 2014	November 14, 2014

178	November 11, 2014	П13-54483	Yu. Beletsky Government Executive Office of the Russian Federation	Concerning the meeting held at 13:30, November 12, 2014, on setting up the common treasury of FGC UES and its subsidiaries and dependent companies	November 12, 2014
179	November 12, 2014	11	D. A. Medvedev Prime Minister of the Russian Federation	Concerning the sending of Minutes of the Meeting of the Governmental Commission on the Socioeconomic Development of the North Caucasian Federal District No. 11 of November 5, 2014	November 21, 2014 November 12, 2014
180	November 13, 2014	01-20/1520	G. G. Pokatovich Analytical Center of the Government of the Russian Federation	Concerning the roundtable meeting held at 15:00, November 25, 2014, on the development of venture capital financing in the Russian fuel and energy sector	November 25, 2014
181	November 17, 2014	АД-П9-8422	A. V. Dvorkovich Deputy Prime Minister of the Russian Federation	Concerning the financing of the construction of new generation capacity in the Kaliningrad Region and capacity delivery facilities and concerning the draft directives aimed at ensuring that such measures are financed by Rosneftegaz	November 21, 2014
182	November 17, 2014	16	A. V. Dvorkovich Deputy Prime Minister of the Russian Federation	Concerning the sent draft of Minutes of the Meeting of the Government Commission on the Development of the Electric Power Industry No. 16 of November 13, 2014	November 25, 2014
183	November 17, 2014	П9-55160	V. Shogenov Government Executive Office of the Russian Federation	Concerning the meeting held at 11:00, November 19, 2014, by the Government Commission on the Development of the Electric Power Industry, chaired by Deputy Prime Minister of the Russian Federation A. V. Dvorkovich	November 19, 2014
184	November 18, 2014	A55-6111AΦ	A. Filichev Executive Office of the Plenipotentiary Representative of the President of the Russian Federation in the Siberian Federal District	Concerning the consideration of using Uragan firefighting systems at ROSSETI facilities and arranging a working meeting with Uragan design engineers	December 25, 2014

185	November 20, 2014	АД-П13-178пр	A. V. Dvorkovich Deputy Prime Minister of the Russian Federation	Concerning the sending of Minutes of the Meeting No. AD-P13-178pr of November 12, 2014, "Setting up the common treasury of ROSSETI and FGC UES"	December 17, 2014
186	November 20, 2014	АД-П9-8488	A. V. Dvorkovich Deputy Prime Minister of the Russian Federation	Concerning the issue of Instructions No. AD-P9-8488 of November 18, 2014, to reach the target position in the "Getting Electricity" ranking of the <i>Doing Business</i> rankings in 2015	December 17, 2014 December 30, 2014 December 30, 2014
187	November 20, 2014	АЧ-20562ИЛ	I. Levitin Presidential Executive Office of the Russian Federation	Concerning the meeting held at 11:00, November 25, 2014, on preparations for the meeting of the working group of the Presidential Economic Council of the Russian Federation in relation to the development of infrastructure projects in transportation with the agenda "Progress in the implementation of the rehabilitation and modernization project for the Baikal-Amur Mainline and the Trans-Siberian Railroad for the purpose of the comprehensive development of the Russian Federation's territories"	November 25, 2014
188	November 20, 2014	A50-7370	N. Ovsienko Executive Office of the Plenipotentiary Representative of the President of the Russian Federation in the Central Federal District	Concerning the sending of Minutes of the Meeting of the Commission on Emergency Prevention and Relief and Fire Safety under the Plenipotentiary Representative of the President of the Russian Federation in the Central Federal District No. A50-7301 of October 22, 2014 (A. Beglov)	November 27, 2014
189	November 21, 2014	АД-П9-8557	A. V. Dvorkovich Deputy Prime Minister of the Russian Federation	Concerning the cost estimation in relation to implementing the resolution of the Government of the Russian Federation "On the Approval of the Security Rules for Infrastructure Facilities of the Fuel and Energy Sector"	December 8, 2014
190	November 21, 2014	7763п-П13	D. A. Medvedev Prime Minister of the Russian Federation	Concerning the sending of Directive No. 7763p-P13 of November 19, 2014, on the establishment of the Investment Council of the Board of Directors pursuant to paragraph 2.7 of the action plan (road map) (Ordinance of the Government of the Russian Federation No. 1689-r of September 19, 2013)	December 19, 2014

191	November 24, 2014	ИШ-П9-8594	I. I. Shuvalov First Deputy Prime Minister of the Russian Federation	Concerning progress in implementing the first subparagraph of paragraph 1 of Instructions of the Government of the Russian Federation No. ISh-P9-2884 of April 23, 2014, “ Action Plan to Limit the Ultimate Cost of Goods and Services of Infrastructure Companies with Their Financial Stability and Investor Appeal to Be Maintained” (6732p-P9 of November 11, 2013)	Quarterly
192	December 1, 2014	П36-58365	M. German Government Executive Office of the Russian Federation	Concerning the meeting held at 18:00, December 3, 2014, on the long-term development and investment programs of ROSSETI, chaired by Minister of the Russian Federation M. A. Abyzov	December 3, 2014
193	December 1, 2014	П16-57827	L. Pepelyaeva Government Executive Office of the Russian Federation	Concerning the meeting held on December 16, 2014, by the Governmental Commission on the Socioeconomic Development of the Far East	December 16, 2014
194	December 2, 2014	П16-58529	L. Pepelyaeva Government Executive Office of the Russian Federation	Concerning the meeting held at 16:30, December 3, 2014, on preparations for the meeting of the Governmental Commission on the Socioeconomic Development of the North Caucasian Federal District, chaired by Deputy Prime Minister of the Russian Federation A. G. Khloponin	December 3, 2014
195	December 2, 2014	8031п-П13ф	S. E. Prikhodko Government Executive Office of the Russian Federation	Concerning the meeting held at 12:00, December 10, 2014, by the Organizing Committee on the Preparation and Holding of the St. Petersburg International Economic Forum	December 10, 2014
196	December 2, 2014	П16-58833	L. Pepelyaeva Government Executive Office of the Russian Federation	Concerning the meeting held on December 12, 2014, by the Governmental Commission on the Socioeconomic Development of the North Caucasian Federal District	December 12, 2014
197	December 3, 2014	П16-58881	S. Nechaeva Government Executive Office of the Russian Federation	Concerning the cancelation of the December 3, 2014, meeting on preparations for the regular meeting of the Governmental Commission on the Socioeconomic Development of the North Caucasian Federal District, chaired by Deputy Prime Minister of the Russian Federation A. G. Khloponin	December 3, 2014
198	December 4, 2014	П9-58080	V. Shogenov Government Executive Office of the Russian Federation	Concerning the meeting held at 10:00, December 17, 2014, by the Government Commission on the Development of the Electric Power Industry, chaired by Deputy Prime Minister of the Russian Federation A. V. Dvorkovich	December 17, 2014

199	December 5, 2014	РД-П7-8855	D. Rogozin Government Executive Office of the Russian Federation	Concerning the development of the pilot project for power line markings in areas with heavy air traffic and concerning information provided about the work completed pursuant to paragraph 15 of the action plan of federal authorities (Instructions No. 6087p-P9 of October 10, 2013)	December 22, 2014
200	December 5, 2014	П16-58899	L. Pepelyaeva Government Executive Office of the Russian Federation	Concerning the sent agenda of the December 16, 2014, meeting of the Governmental Commission on the Socioeconomic Development of the Far East	December 16, 2014
201	December 8, 2014	П16-59782	L. Pepelyaeva Government Executive Office of the Russian Federation	Concerning the sent agenda of and information materials for the 12:00, December 12, 2014, meeting of the Governmental Commission on the Socioeconomic Development of the North Caucasian Federal District	December 12, 2014
202	December 8, 2014	8177п-П13ф	S. E. Prihodko Government Executive Office of the Russian Federation	Concerning information provided about the members of the Organizing Committee on the Preparation and Holding of the St. Petersburg International Economic Forum	January 23, 2015
203	December 9, 2014	П16-59994	L. Pepelyaeva Government Executive Office of the Russian Federation	Concerning the sending of the updated agenda of the December 16, 2014, meeting of the Governmental Commission on the Socioeconomic Development of the Far East	December 16, 2014
204	December 9, 2014	Пр-2821	V. V. Putin President of the Russian Federation	Concerning the sent list of instructions to implement the Presidential Address to the Federal Assembly of the Russian Federation of December 4, 2014	December 11, 2014 January 19, 2015 - December 30, 2014 - - - - -

205	December 9, 2014	ДМ-П13-9024	D. A. Medvedev Prime Minister of the Russian Federation	Concerning measures to implement the Presidential Address to the Federal Assembly of the Russian Federation of December 4, 2014 (in accordance with the list of instructions of the President of the Russian Federation for the Federal Assembly of the Russian Federation of December 4, 2014; No. Pr-2821 of December 5, 2014)	December 11, 2014
206	December 10, 2014	3	I. Levitin Presidential Executive Office of the Russian Federation	Concerning the review of the draft of Minutes of the Meeting of the working group of the Presidential Economic Council of the Russian Federation No. 3 of November 25, 2014, in relation to the development of infrastructure projects in transportation with the agenda "Progress in the implementation of the rehabilitation and modernization project for the Baikal-Amur Mainline and the Trans-Siberian Railroad for the purpose of the comprehensive development of the Russian Federation's territories"	December 10, 2014
207	December 10, 2014	П16-60054	L. Pepelyaeva Government Executive Office of the Russian Federation	Concerning the provision of materials for the item "Approval of meetings of the Governmental Commission on the Socioeconomic Development of the North Caucasian Federal District for 2015"	December 12, 2014
208	December 10, 2014	П9-60325	V. Shogenov Government Executive Office of the Russian Federation	Concerning the meeting held at 09:00, December 11, on the financing of the construction of electric power facilities in the Kaliningrad Region, chaired by Deputy Prime Minister of the Russian Federation A. V. Dvorkovich	December 11, 2014
209	December 10, 2014	2	A. V. Dvorkovich Deputy Prime Minister of the Russian Federation	Concerning the sent minutes of the meeting of the Governmental Commission on the prevention of the adverse consequences of the industrial disaster caused by the mine flooding in the Verkhnekamskoye potassium and magnesium salt field at Berezniki, Perm Territory	December 23, 2014
210	December 10, 2014	A21-6399	S. Vakhrukov Presidential Executive Office of the Russian Federation, Executive Office of the Security Council of the Russian Federation	Concerning the meeting held at 11:00, December 16, 2014, by the panel on economic and social security issues on the subject: "Scientific approaches to improving the market model of the Russian electricity industry in the context of ensuring the country's energy security in the mid and long term"	December 18, 2014

211	December 11, 2014	A21-6420	V. Nazarov Presidential Executive Office of the Russian Federation, Executive Office of the Security Council of the Russian Federation	Concerning the sent minutes of the joint meeting held in the Republic of Altai on October 28, 2014, by the Secretary of the Security Council of the Russian Federation and the Plenipotentiary Representative of the President of the Russian Federation in the Siberian Federal District on measures to curb threats to energy security and combat criminal activities in the Siberian Federal District's fuel and energy sector"	For implementation in 2015
212	December 12, 2014	П16-60343	Yu. Skorinov Government Executive Office of the Russian Federation	Concerning the provision of materials for the December 16, 2014, meeting of the Governmental Commission on the Socioeconomic Development of the Far East	December 16, 2014
213	December 12, 2014	A8-12417-3	A. Kirienko Presidential Executive Office of the Russian Federation, Control Directorate of the President of the Russian Federation	Concerning the meeting held on December 23, 2014, on the current situation in the energy sector of the Arkhangelsk Region	December 23, 2014
214	December 17, 2014	A8-12621-5	B. Shvedov Presidential Executive Office of the Russian Federation, Control Directorate of the President of the Russian Federation	Concerning the sent copies of the market value appraisal reports prepared in 2013–2014 with respect to shares in MRSK Holding, ROSSETI, and FGC UES pursuant to Decree of the President of the Russian Federation No. 1567 of November 22, 2012, "On Joint Stock Company ROSSETI"	December 19, 2014
215	December 18, 2014	12	D. A. Medvedev Prime Minister of the Russian Federation	Concerning the sending of Minutes of the Meeting of the Governmental Commission on the Socioeconomic Development of the North Caucasian Federal District No. 12 of December 12, 2014	January 23, 2015 January 30, 2015 -
216	December 22, 2014	АД-П9-203пр	A. V. Dvorkovich Deputy Prime Minister of the Russian Federation	Concerning the sending of Minutes of the Meeting No. AD-P9-203pr of December 11, 2014, on potential changes to the location and time of the construction of generation facilities under capacity supply contracts	December 31, 2014

217	December 22, 2014	4	D. A. Medvedev Prime Minister of the Russian Federation	Concerning the sending of Minutes of the Meeting of the Governmental Commission on the Socioeconomic Development of the Far East No. 4 of December 16, 2014	For implementation in 2015
218	December 22, 2014	8653п-П13ф	S. E. Prikhodko Government Executive Office of the Russian Federation	Concerning the sent minutes of the meeting of the Organizing Committee on the Preparation and Holding of the 2015 St. Petersburg International Economic Forum	January 22, 2015
219	December 22, 2014	АД-П9-9334	A. V. Dvorkovich Deputy Prime Minister of the Russian Federation	Concerning the submission for agreement of the draft of the Federal Law “On Amendments to the Land Code of the Russian Federation with Respect to the Simplification of the Procedure for Allocating and Using Plots of Land for the Construction, Rehabilitation, and Major Repair of Electric Power Facilities”	For implementation in 2015
220	December 23, 2014	П19-63029	M. Trinoga Government Executive Office of the Russian Federation	Concerning the request from a religious organization, the Pokrovsky Stauropegic Convent, Pokrovskaya Zastava, Moscow, of the Russian Orthodox Church (Moscow Patriarchate), to deal with the current situation about payments for consumed electricity and provide assistance	December 26, 2014
221	December 24, 2014	АД-П9-204пр	A. V. Dvorkovich Deputy Prime Minister of the Russian Federation	Concerning the sending of Minutes of the Meeting No. AD-P9-204pr of December 11, 2014, on the financing of the construction of electric power facilities in the Kaliningrad Region	December 25, 2014
222	December 26, 2014	АД-П9-9334	A. V. Dvorkovich Deputy Prime Minister of the Russian Federation	Concerning the submission for agreement of the draft of the Federal Law “On Amendments to the Land Code of the Russian Federation with Respect to the Simplification of the Procedure for Allocating and Using Plots of Land for the Construction, Rehabilitation, and Major Repair of Electric Power Facilities”	December 31, 2014
223	December 29, 2014	АД-П9-9576	A. V. Dvorkovich Deputy Prime Minister of the Russian Federation	Concerning the issue of Instructions No. AD-P9-9576 of December 20, 2014, to refine the Road Map “Enhancing the Affordability of the Power Infrastructure” (Ordinance No. 1144-r of June 30, 2012)	January 12, 2015 - - -

224	December 29, 2014	АД-П36-9442	A. V. Dvorkovich Deputy Prime Minister of the Russian Federation	Concerning the inadvisability of considering the results of the expert evaluation of companies' design and survey work at a meeting of the Presidium of the Presidential Council on the Economic Modernization and Innovative Development of the Russian Federation pursuant to paragraph 11 of Instructions of the Government of the Russian Federation No. DM-P36-6057 of August 9, 2014	January 23, 2015
225	December 30, 2014	ИШ-П13-9220	I. I. Shuvalov First Deputy Prime Minister of the Russian Federation	Concerning measures to ensure the calculation of the efficiency of the transaction associated with the acquisition by MOESK of shares in UNECO	January 12, 2015
226	December 31, 2014	Пр-3013	V. V. Putin President of the Russian Federation	Concerning the sent list of instructions based on the results of the December 9, 2014, meeting on the improvement of the operating efficiency of government-linked companies	For implementation in 2015
227	December 31, 2014	П9-64673	V. Shogenov Government Executive Office of the Russian Federation	Concerning the meeting held at 17:00, January 13, 2014, on the construction of electric power facilities in the Crimean Federal District, chaired by Deputy Prime Minister of the Russian Federation D. N. Kozak	January 13, 2015



## Appendix 9. Minutes of the meeting Board of Directors and Issues considered by Committees of the Board of Directors of the Company

Date and Number of the Meeting Minutes	Considered Issues
10.02.2014, №143	<ol style="list-style-type: none"> <li>1. Approval of the Strategy for Developing and Improving the Internal Control System of JSC ROSSETI and Subsidiaries and Dependent Companies.</li> <li>2. Approval of simultaneous occupation by a member of the Management Board of JSC ROSSETI of positions with the management bodies of other entities.</li> <li>3. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the item on the agenda of the meeting of the Board of Directors of IDGC of Center and Volga Region, JSC "IDGC of Center and Volga Region, JSC's membership in the Kaluga Chamber of Commerce and Industry (KCCI)."</li> <li>4. Approval of the Regulations for Disclosing Material Information of JSC Russian Grids Under Shareholder Laws and Securities Market Laws (Information Policy).</li> <li>5. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the item on the agenda of the General Meeting of Shareholders of Urals Power Engineering Company concerning the election of members of the Board of Directors of the company.</li> </ol>
12.02.2014, №144	<ol style="list-style-type: none"> <li>1. Review of the Strategy for Development of JSC ROSSETI and the Action Plan to Implement the Strategy for Development of JSC ROSSETI.</li> <li>2. Review of the Program of JSC ROSSETI for Improving the Efficiency of Measures to Reduce Receivables for Electricity Distribution Services.</li> <li>3. Implementation by JSC ROSSETI of Ordinance of the Government of the Russian Federation No. 1144-r of June 30, 2012, "On the Approval of the Action Plan (Road Map) 'Enhancing the Affordability of the Power Infrastructure.'"</li> <li>4. Review of the report of the sole executive body of JSC ROSSETI on the completed comparative analysis (benchmarking) of operations of subsidiaries and dependent companies of JSC ROSSETI for 2010–2012.</li> <li>5. Review of the adjusted consolidated investment program of JSC ROSSETI for 2013–2018, including 2014.</li> <li>6. Review of the report on the implementation of the consolidated investment program of JSC ROSSETI for the 3rd quarter and 9 months of 2013.</li> <li>7. Approval of the Model Standard for the Public Technological and Price Audit of Investment Projects of Subsidiaries and Dependent Companies of JSC ROSSETI.</li> <li>8. JSC ROSSETI Budget for 2014.</li> </ol>
03.03.2014, №145	<ol style="list-style-type: none"> <li>1. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the items on the agendas of the general meetings of shareholders of subsidiaries and dependent companies concerning the election of members of the boards of directors of subsidiaries and dependent companies (JSC Power Grid Optical Networks Engineering).</li> <li>2. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the item on the agenda of the meeting of the Board of Directors of JSC Tyumenenergo: "Tentative approval of the decision on the Company's entering into a transaction associated with transferring title to the property that is capital assets intended for use other than the generation, transmission, dispatching, and distribution of electricity and heat, namely the building of the Concrete Reinforcement Shop (letter designation: U), total area: 3,618.7 square meters, located at: Russia, Khanty-Mansijsk Autonomous District, Nizhnevartovsk,</li> </ol>

	<p>Zapadny Promyshlenny Uzel, Panel 10, ul. Industrialnaya, 33.”</p> <ol style="list-style-type: none"> <li>3. Defining of the terms and conditions of a public bidding procedure for the right to enter into the agreement to conduct a mandatory annual audit of the statements of JSC ROSSETI for 2014, including the determination of the fee for the services provided by the Auditor.</li> <li>4. Review of the performance report of the Company’s Management Board for the 4th quarter of 2013 and for 2013.</li> <li>5. Approval of qualification requirements for the chief executives of subsidiaries and dependent companies of JSC ROSSETI.</li> <li>6. Amendments to the decision adopted by the Board of Directors of JSC ROSSETI on December 27, 2013, (Minutes of the Meeting No. 142) concerning “Approval of the agreement for fee-based technical supervision services between JSC ROSSETI and JSC FGC UES, which is a related party transaction.”</li> <li>7. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the items on the agendas of the general meetings of shareholders of subsidiaries and dependent companies concerning the election of members of the boards of directors of subsidiaries and dependent companies.</li> </ol>
<b>12.03.2014, №146</b>	<ol style="list-style-type: none"> <li>1. Review of the consolidated investment program of JSC ROSSETI for 2015–2019.</li> <li>2. Implementation of the project to issue exchange-traded bonds of JSC ROSSETI, Series BO-01, BO-02, BO-03, BO-04, BO-05, BO-06, BO-07, BO-08, BO-09, and BO-10.</li> <li>3. Placement of securities of Joint Stock Company ROSSETI (Exchange-Traded Bonds, Series BO-01, BO-02, BO-03, BO-04, BO-05, BO-06, BO-07, BO-08, BO-09, and BO-10).</li> <li>4. Approval of the Decisions on the Securities Issue of Joint Stock Company ROSSETI (Exchange-Traded Bonds, Series BO-01, BO-02, BO 03, BO-04, BO-05, BO-06, BO-07, BO-08, BO-09, and BO-10).</li> <li>5. Approval of the Securities Prospectus of Joint Stock Company ROSSETI (Exchange-Traded Bonds, Series BO-01, BO-02, BO 03, BO-04, BO-05, BO-06, BO-07, BO-08, BO-09, and BO-10).</li> <li>6. Miscellaneous.</li> </ol>
<b>20.03.2014, №147</b>	<ol style="list-style-type: none"> <li>1. Implementation of the unified verification system for information on the owner chain of counterparties (potential counterparties) of subsidiaries and dependent companies of JSC ROSSETI, including beneficiaries (including ultimate beneficiaries), its automation and integration into the program of the Federal Service for Financial Monitoring of the Russian Federation. The implementation of the Schedule of the Organization of Processing Information on the Owner Chain of Purchasing Participants (Potential Counterparties) and Counterparties of Subsidiaries and Dependent Companies of JSC ROSSETI.</li> <li>2. Amendments to the decision adopted by the Board of Directors of JSC ROSSETI on April 5, 2013, concerning Item 14 “On the Budget of the Company” (Minutes of the Meeting No. 112 of April 8, 2014).</li> </ol>
<b>04.04.2014, №148</b>	<ol style="list-style-type: none"> <li>1. Consideration of proposals put forward by shareholders of JSC ROSSETI regarding the inclusion of items on the agenda of the Annual General Meeting of Shareholders of JSC ROSSETI and regarding the nomination of candidates for JSC ROSSETI’s management and control bodies.</li> <li>2. Opening of the representative office of JSC ROSSETI and amendments to the Articles of Association of JSC ROSSETI in connection with the opening of the representative office.</li> </ol>
<b>22.04.2014, №149</b>	<ol style="list-style-type: none"> <li>1. Approval of the Procurement Policy of JSC ROSSETI.</li> <li>2. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the items on the agendas of the meetings of the boards of directors and the general meetings of shareholders of subsidiaries and dependent companies of JSC ROSSETI.</li> <li>3. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the item on the agenda of the meeting of the Board of Directors of IDGC of Northern Caucasus, JSC.</li> <li>4. Approval of the limited credit line agreement between JSC ROSSETI and the Russian Regional Development Bank, which is a related party transaction.</li> <li>5. Approval of the credit to be taken out by JSC ROSSETI from the Russian Regional Development Bank.</li> </ol>

	6. Approval of the credit to be taken out by JSC ROSSETI from the Far Eastern Bank.
<b>23.04.2014, №150</b>	<ol style="list-style-type: none"> <li>1. Import substitution at subsidiaries and dependent companies of JSC ROSSETI until 2018.</li> <li>2. Concept of Setting up the Federal Testing Center (FTC).</li> <li>3. Innovative Development, Energy Conservation, and Energy Efficiency Policy of JSC ROSSETI.</li> </ol>
<b>28.04.2014, №151</b>	<ol style="list-style-type: none"> <li>1. Approval of the Internal Audit Policy of JSC ROSSETI.</li> <li>2. Approval of a restated version of the Risk Management Policy of JSC ROSSETI.</li> <li>3. Approval of a restated version of the Internal Control Policy of JSC ROSSETI.</li> <li>4. Review of the report of the sole executive body on the findings of monitoring metal products purchased by subsidiaries and dependent companies of JSC ROSSETI in 2013.</li> <li>5. Approval of the lease agreement between JSC ROSSETI and JSC FGC UES, which is a related party transaction.</li> <li>6. Approval of the agreement for Verification Center services to be entered into by and between JSC ROSSETI and JSC FGC UES, which is a related party transaction.</li> <li>7. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the item on the agenda of the meeting of the Board of Directors of Chechenenergo, JSC.</li> <li>8. Tentative approval of JSC ROSSETI's entering into a transaction associated with transferring title to the property that is capital assets intended for use other than the generation, transmission, dispatching, and distribution of electricity and heat.</li> <li>9. Performance report of the Company's Management Board for the 1st quarter of 2014.</li> <li>10. Priorities established for JSC ROSSETI's activities: the advisability of carrying out recommendations for the management of rights to intellectual products.</li> <li>11. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the item on the agenda of the meeting of the Board of Directors of JSC LENENERGO.</li> </ol>
<b>06.05.2014, №152</b>	Confidential.
<b>13.05.2014, №153</b>	<ol style="list-style-type: none"> <li>1. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the items on the agendas of the meetings of the boards of directors and the general meetings of shareholders of subsidiaries and dependent companies of JSC ROSSETI.</li> <li>2. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the item on the agenda of the meeting of the Board of Directors of IDGC of Volga, JSC; JSC LENENERGO; JSC MOESK; IDGC of North-West; IDGC of Northern Caucasus, JSC; IDGC of Siberia, JSC; JSC TDC; IDGC of Urals, JSC; IDGC of Centre, JSC; IDGC of Center and Volga Region, JSC; and IDGC of South, JSC.</li> <li>1. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the items on the agendas of the general meetings of shareholders of subsidiaries and dependent companies concerning the election of members of the boards of directors of subsidiaries and dependent companies.</li> <li>2. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the item on the agenda of the meeting of the Board of Directors of JSC ENIN.</li> <li>3. Convocation of the Annual General Meeting of Shareholders of JSC ROSSETI.</li> </ol>
<b>20.05.2014, №154</b>	<ol style="list-style-type: none"> <li>1. Reduction of general and administrative expenses.</li> <li>2. Improvement of the Procurement Policy of the Company.</li> <li>3. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the item on the agenda of the meeting of the Board of Directors of JSC FGC UES "Convocation of and preparations for the Annual General Meeting of Shareholders of JSC FGC UES."</li> </ol>

<b>26.05.2014, №155</b>	<ol style="list-style-type: none"> <li>1. Consideration of issues in relation to making preparations for the Annual General Meeting of Shareholders of the Company.</li> <li>2. Approval of annual accounting statements, including statements of financial performance, of JSC ROSSETI for 2013.</li> <li>3. Recommendations for JSC ROSSETI's profit and loss distribution based on performance results in 2013.</li> <li>4. Recommendations for the amount of dividends on shares in JSC ROSSETI for 2013 and for the dividend payment procedure.</li> <li>5. Consideration of a nominee for the Auditor of the Company.</li> <li>6. Drafts of restated versions of JSC ROSSETI's internal documents governing the activities of the Company's bodies.</li> <li>7. Proposals for the Annual General Meeting of Shareholders of JSC ROSSETI concerning the issue "Approval of the liability insurance contract for directors and officers, which is a related party transaction."</li> <li>8. Proposals for the Annual General Meeting of Shareholders of JSC ROSSETI concerning the issue "Approval of the liability insurance contract for directors and officers to be entered into for the period from December 25, 2014, to and including December 24, 2015, which is a related party transaction."</li> <li>9. Payment of remuneration for serving on the Board of Directors to members of the Board of Directors other than those who hold public office in the amount specified in the Company's internal documents.</li> <li>10. Tentative approval of the Annual Report of the Company.</li> </ol>
<b>29.05.2014, №156</b>	<ol style="list-style-type: none"> <li>1. Performance results of the ROSSETI Group for the 2013/14 heat deficit period.</li> <li>2. Proposals from JSC Russian Grids to improve the territorial planning and prospective physical planning of electric grid facilities.</li> <li>3. Formation of the Unified Energy Conservation and Energy Efficiency Enhancement Program of Subsidiaries and Dependent Companies of JSC ROSSETI.</li> <li>4. Report on the implementation of the business plans of subsidiaries and dependent companies (SDCs) of JSC ROSSETI and the JSC ROSSETI Budget for 2013.</li> <li>5. Economic Policy of JSC ROSSETI.</li> <li>6. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the item on the agenda of the meeting of the Board of Directors of JSC FGC UES "JSC FGC UES's holding a stake in ZAO TaygaEnergoStroy."</li> </ol>
<b>06.06.2014, №157</b>	<ol style="list-style-type: none"> <li>1. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the item on the agenda of the meeting of the Board of Directors of JSC Tyumenenergo "JSC Tyumenenergo's membership in the Tyumen Region Chamber of Commerce and Industry."</li> <li>2. Results of the implementation of measures aimed at compliance by JSC Russian Grids with the requirements of laws on insider information control in 2013.</li> <li>3. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the item on the agenda of the meeting of the Board of Directors of IDGC of North-West "Tentative approval of the decision on the Company's entering into a transaction associated with acquiring the construction-in-progress facilities intended for the generation, transmission, dispatching, and distribution of electricity and heat, namely the 35/10-kV substation with 35-kV overhead branch lines with 10-kV distribution networks at Udinsky and Yerga, Kotlas District, Arkhangelsk Region."</li> <li>4. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the item on the agenda of the meeting of the Board of Directors of IDGC of Urals, JSC "Tentative approval of the decision on the Company's entering into a transaction associated with transferring title to the real property intended for use other than the generation, transmission, dispatching, and distribution of electricity and heat, namely the nonresidential building (recreation center), total area: 4,171.0 square meters, located at: Russia, Chelyabinsk Region, Yuzhnouralsk, ul. Parkovaya, 2."</li> <li>5. Approval of the limited credit line agreement between JSC ROSSETI and the Russian Regional Development Bank, which is a related party transaction.</li> </ol>
<b>17.06.2014, №158</b>	<ol style="list-style-type: none"> <li>1. Review of the report on the implementation of the consolidated investment program of JSC ROSSETI for the 4th quarter of 2013 and for 2013.</li> <li>2. Approval of the Policy on Society, Customer, and Government Relations of JSC ROSSETI.</li> <li>3. Approval of the Personnel and Social Policy of JSC ROSSETI.</li> <li>4. Review of information concerning changes in the legal regulation of anti-corruption measures.</li> </ol>

<b>20.06.2014, №159</b>	<ol style="list-style-type: none"> <li>1. Election of the Secretary of the Annual General Meeting of Shareholders of the Company.</li> <li>2. Creation of billing metering systems in the wholesale and retail markets and compliance with the requirements of the Wholesale Electricity and Capacity Market Rules as related to the verification of compliance by the Automated Information System of Electricity Billing Metering in billing metering sections of JSC FGC UES and in billing metering sections of suppliers of last resort in interregional distribution grid companies' networks.</li> <li>3. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the items on the agendas of the general meetings of shareholders of subsidiaries and dependent companies concerning the election of members of the boards of directors of subsidiaries and dependent companies.</li> <li>4. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the item on the agenda of the meeting of the Board of Directors of JSC Yantarenergo on the item "Defining of the position of JSC Yantarenergo (representatives of JSC Yantarenergo) on the item on the agenda of the meeting of the Board of Directors of OAO Kaliningrad Generation Company 'Tentative approval of the decision on the Company's entering into a transaction associated with acquiring the property that is capital assets intended for the generation, transmission, dispatching, and distribution of electricity and heat, namely the external heat networks supplying and distributing heat from Gusev CHPP to customers located in the town of Gusev.'"</li> </ol>
<b>26.06.2014, №160</b>	<ol style="list-style-type: none"> <li>1. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the items on the agendas of the general meetings of shareholders of subsidiaries and dependent companies of JSC ROSSETI concerning the election of members of the boards of directors of subsidiaries and dependent companies (JSC FGC UES).</li> <li>2. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the item on the agenda of the meeting of the Board of Directors of JSC LENENERGO "JSC LENENERGO's membership in ANO Partnership North-West."</li> <li>3. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the item on the agenda of the meeting of the Board of Directors of IDGC of North-West "IDGC of North-West's membership in ANO Partnership North-West."</li> <li>4. Review of the internal auditor's report on the efficiency of the internal control and risk management system of JSC ROSSETI and its subsidiaries and dependent companies for 2013.</li> <li>5. Review of the report on key risks of JSC Russian Grids and its subsidiaries and dependent companies for 2013.</li> <li>6. Approval of the adjusted JSC Russian Grids Budget for 2014.</li> </ol>
<b>23.07.2014, №161</b>	<ol style="list-style-type: none"> <li>1. Election of the Chairman of the Board of Directors of JSC ROSSETI.</li> <li>2. Election of the Secretary of the Board of Directors of JSC ROSSETI.</li> <li>3. Issues related to the committees of the Board of Directors of JSC ROSSETI.</li> </ol>
<b>25.08.2014, №162</b>	<ol style="list-style-type: none"> <li>1. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the item on the agenda of the meeting of the Board of Directors of IDGC of Urals, JSC "IDGC of Urals, JSC's membership in the South Urals Chamber of Commerce and Industry."</li> <li>2. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the item on the agenda of the meeting of the Board of Directors of IDGC of Urals, JSC "Tentative approval of the decision on the Company's entering into a transaction associated with transferring title to the real property intended for use other than the generation, transmission, dispatching, and distribution of electricity and heat, namely the Recreation Center located at: Russia, Chelyabinsk Region, Ozyorsk, Novogornyy, ul. Teatralnaya, 1."</li> <li>3. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the item on the agenda of the meeting of the Board of Directors of IDGC of Centre, JSC "Tentative approval of the decision on the Company's entering into a transaction associated with transferring title to the real property that is capital assets intended for use other than the generation, transmission, dispatching, and distribution of electricity and heat, namely the kindergarten located at: Kursk, ul. Razina, 8."</li> <li>4. Approval of a restated version of the Regulations for Insider Information of JSC ROSSETI.</li> </ol>

	<p>5. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the item on the agenda of the meeting of the Board of Directors of JSC FGC UES “JSC FGC UES’s holding a stake in ZAO Feniks-Energo.”</p> <p>6. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the item on the agenda of the meeting of the Board of Directors of JSC MOESK “Tentative approval of the decision on the Company’s entering into a transaction associated with acquiring the property that is capital assets intended for the generation, transmission, dispatching, and distribution of electricity and heat, namely the electric grid facilities of Kalugino 110/10kV Substation No. 807.”</p> <p>7. Formulation and approval of the Long-Term Development Program of the Company, audit of its implementation, approval of the audit standard, and amendments to the Regulations for Remuneration for the Sole Executive Body of the Company.</p>
<b>04.09.2014, №163</b>	<p>1. Ongoing measures to improve the efficiency of implementing investment programs of subsidiaries and dependent companies of JSC ROSSETI, including the programs ensuring the implementation of the relevant decisions of the Government of the Russian Federation and federal executive authorities.</p> <p>2. Approval of the Annual Comprehensive Procurement Program of JSC ROSSETI for 2014.</p> <p>3. Approval of the agreement to coordinate and develop the regulatory and technical support system in the electric grid sector between JSC ROSSETI and its subsidiaries and dependent companies, which is a related party transaction.</p> <p>4. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the item on the agenda of the meeting of the Board of Directors of IDGC of Centre, JSC “Defining of the position of the Company on the item on the agenda of the General Meeting of Shareholders of OAO Yargorelektroset.”</p> <p>5. Approval of Addendum No. 1 to Agreement for Technical Supervision Services No. TsTN/13-13 of December 30, 2013, between JSC ROSSETI and JSC Tyumenenergo, which is a related party transaction.</p> <p>6. Performance report of the Company’s Management Board for the 2nd quarter of 2014.</p>
<b>10.09.2014, №164</b>	<p>1. Issues related to the committees of the Board of Directors of JSC ROSSETI.</p> <p>2. Review of the performance reports of the Committees of the Board of Directors of JSC ROSSETI.</p> <p>3. Approval of a restated version of the Anti-Corruption Policy of JSC ROSSETI and Subsidiaries and Dependent Companies of JSC ROSSETI.</p> <p>4. Establishment of the common treasury of the Company and its subsidiary and dependent organizations.</p> <p>5. Approval of the Program of Measures to Improve the Procurement Policy of JSC ROSSETI and Its Subsidiaries and Dependent Companies and the Technique for Calculating “Reduction of procurement prices for the purchase of products/services in 2014.”</p> <p>6. Formulation of the Action Plan (Road Map) to Introduce the Corporate Governance Code into the Activities of the Company.</p>
<b>17.09.2014, №165</b>	<p>1. Election of the Secretary of the Board of Directors of JSC ROSSETI.</p> <p>2. Review of the Long-Term Development Program of JSC ROSSETI.</p> <p>3. Approval of the Action Plan to Implement the Strategy for Development of JSC ROSSETI.</p> <p>4. Comparative analysis of operations conducted by JSC ROSSETI’s distribution grid companies in 2011–2013.</p> <p>5. Consideration of the feasibility study of setting up the Federal Testing Center (FTC), including a substantiated business plan, a detailed financial model, proposals for the financing sources for setting up and supporting the FTC, and the outcome of negotiations with possible partners and potential customers.</p> <p>6. Review of the Annual Implementation Report on the Innovative Development Program of JSC ROSSETI for 2013 and the Innovative Development Program of JSC ROSSETI.</p> <p>7. Approval of the Meeting Plan of the Board of Directors of JSC ROSSETI for the corporate year 2014/15.</p> <p>8. Pre-trial resolution of disagreements.</p> <p>9. Strategy Committee of the Board of Directors of JSC ROSSETI.</p>

<b>06.10.2014, №166</b>	<ol style="list-style-type: none"> <li>1. Strategy Committee of the Board of Directors of JSC ROSSETI.</li> <li>2. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the item on the agenda of the meeting of the Board of Directors of IDGC of Urals, JSC “Tentative approval of the decision on the Company’s entering into a transaction associated with transferring title to the property that is capital assets intended for use other than the generation, transmission, dispatching, and distribution of electricity and heat, namely Kindergarten No. 3 located at: Russia, Chelyabinsk Region, Ozyorsk, Novogornyy, ul. Sovetskaya, 2A.”</li> <li>3. Review of the results of implementing the Annual Comprehensive Procurement Program of the Company and the consolidated Annual Comprehensive Procurement Program of subsidiaries and dependent companies for major investment projects for 2013.</li> <li>4. Dealing with receivables from energy retailers that are members of the ROSSETI Group and from subsidiaries and dependent companies of JSC ROSSETI that perform the Supplier of Last Resort functions.</li> <li>5. Approval of a restated version of the Regulations for the Procedure for Regulated Procurements of Goods, Work, Services for the Needs of JSC ROSSETI.</li> <li>6. Review of the report on the implementation of the consolidated investment program of JSC ROSSETI for the 1st quarter of 2014.</li> </ol>
<b>24.10.2014, №167</b>	<ol style="list-style-type: none"> <li>1. Approval of simultaneous occupation by the Director General of JSC ROSSETI and members of the Management Board of JSC ROSSETI of positions with the management bodies of other entities.</li> <li>2. Approval of the services agreements in relation to organizing the operation of and to developing electric grid facilities between JSC ROSSETI and JSC ROSSETI subsidiaries and dependent companies engaged in electricity distribution, which are related party transactions.</li> <li>3. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the item on the agenda of the General Meeting of Shareholders of JSC VPEC concerning the election of members of the Board of Directors of the company.</li> </ol>
<b>29.10.2014, №168</b>	<ol style="list-style-type: none"> <li>1. Change in the stakes held by JSC ROSSETI in the authorized capital of OAO North-West Power Engineering Center Real Estate, OAO Volga Power Engineering Center Real Estate, OAO South Center of Power Engineering Real Estate, OAO Urals Power Engineering Company Real Estate, OAO Siberian Energy Scientific and Technical Center Real Estate, and OAO VNIPIENERGOPROM Real Estate.</li> <li>2. JSC ROSSETI’s holding a stake in OAO Engineering Center UES Real Estate.</li> <li>3. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the item on the agenda of the meeting of the Board of Directors of OAO Engineering Center UES Real Estate “OAO Engineering Center UES Real Estate’s holding a stake in Federal Testing Center Open Joint-Stock Company.”</li> <li>4. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the item on the agenda of the meeting of the Board of Directors of JSC LENENERGO “JSC LENENERGO’s holding a stake in Federal Testing Center Open Joint-Stock Company.”</li> <li>5. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the item on the agendas of the General Meetings of Shareholders of OAO North-West Power Engineering Center Real Estate, OAO Volga Power Engineering Center Real Estate, OAO South Center of Power Engineering Real Estate, OAO Urals Power Engineering Company Real Estate, OAO Siberian Energy Scientific and Technical Center Real Estate, and OAO VNIPIENERGOPROM Real Estate “Reorganization of the Company through a takeover by OAO Engineering Center UES Real Estate.”</li> <li>6. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the item on the agenda of the General Meeting of Shareholders of OAO Engineering Center UES Real Estate “Reorganization of the Company through a takeover of OAO North-West Power Engineering Center Real Estate, OAO Volga Power Engineering Center Real Estate, OAO South Center of Power Engineering Real Estate, OAO Urals Power Engineering Company Real Estate, OAO Siberian Energy Scientific and Technical Center Real Estate, and OAO VNIPIENERGOPROM Real Estate.”</li> <li>7. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the item on the agenda of the General Meeting of Shareholders of OAO Engineering Center UES Real Estate “Approval of the agreement on the establishment of Federal Testing Center Open Joint-Stock Company to be entered into by and between OAO Engineering Center UES Real Estate and JSC LENENERGO, which is a major transaction.”</li> </ol>

<b>18.11.2014, №169</b>	<ol style="list-style-type: none"> <li>1. Approval of the Regulations for Credit Policy of JSC ROSSETI.</li> <li>2. Approval of a restated version of the Regulations for Dividend Policy of JSC ROSSETI.</li> <li>3. Approval of the Comprehensive Security Policy of JSC ROSSETI.</li> <li>4. Review of the report on the implementation of decisions of the Board of Directors of JSC ROSSETI.</li> <li>5. Miscellaneous.</li> <li>6. Consideration of the annual economy rankings published by the World Bank on the Doing Business website on October 29, 2014.</li> </ol>
<b>20.11.2014, №170</b>	<ol style="list-style-type: none"> <li>1. Review of the Regulations for Key Performance Indicators of JSC ROSSETI.</li> <li>2. Review of the Technique for Calculating and Evaluating the KPI of the Director General of JSC ROSSETI.</li> </ol>
<b>25.11.2014, №171</b>	<ol style="list-style-type: none"> <li>1. Approval of a restated version of the Anti-Corruption Policy of JSC ROSSETI and Subsidiaries and Dependent Companies of JSC ROSSETI.</li> <li>2. Review of the Schedule of the Receipt of Budgetary Funds, Their Transfer to Subsidiaries and Dependent Companies of JSC ROSSETI, and Control over Their Proper Use.</li> <li>3. Review of proposals to amend the current procedure for formulating, agreeing, and approving investment programs of subsidiaries and dependent companies of JSC ROSSETI and the consolidated investment program of JSC ROSSETI.</li> <li>4. Progress in conducting the technological and price audit of investment programs of subsidiaries and dependent companies of JSC ROSSETI.</li> <li>5. Review of the report on the implementation of the consolidated investment program of JSC ROSSETI for the 2nd quarter of 2014 and the 1st half of 2014.</li> <li>6. Performance report of the Company's Management Board for the 3rd quarter of 2014.</li> <li>7. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the item on the agenda of the meeting of the Board of Directors of JSC MOESK "Tentative approval of the decision on the Company's entering into a transaction associated with transferring title to the real property that is capital assets intended for use other than the generation, transmission, dispatching, and distribution of electricity and heat, namely the plot of land with an area of 41.8 hectares located at: Moscow Region, Klin District, near the village of Spas-Zaulok."</li> <li>8. Membership of JSC ROSSETI in the Russian National Committee of the World Energy Council (Nonprofit Partnership).</li> <li>9. Approval of the Agreement for Membership in the Russian National Committee of the World Energy Council (Nonprofit Partnership) between JSC ROSSETI and the Russian National Committee of the World Energy Council (Nonprofit Partnership), which is a related party transaction.</li> <li>10. Strategy Committee of the Board of Directors of JSC ROSSETI.</li> </ol>
<b>03.12.2014, №172</b>	<ol style="list-style-type: none"> <li>1. Improvement of the Company's workforce productivity.</li> <li>2. Amendments to the Company's Long-Term Development Program.</li> </ol>
<b>15.12.2014, №173</b>	<ol style="list-style-type: none"> <li>1. Activities of the Investment, Technical Policy, Reliability, Energy Efficiency, and Innovation Committee of the Board of Directors of JSC ROSSETI.</li> <li>2. Approval of the attainment of the key performance indicators for the Director General of JSC ROSSETI for the 2nd and 3rd quarters of 2014.</li> </ol>
<b>19.12.2014, №174</b>	<ol style="list-style-type: none"> <li>1. Approval of the Investment Policy of JSC ROSSETI.</li> <li>2. Approval of the JSC ROSSETI Budget for 2015.</li> <li>3. Implementation of the Smart Grid Construction Investment Project.</li> <li>4. Implementation of the instructions issued by the Board of Directors of JSC ROSSETI (paragraph 6.1 of Minutes of the Meeting of the Company's Board of</li> </ol>

	<p>Directors No. 169 of November 21, 2014) and the approval of JSC ROSSETI's action plan to attain the key electricity connection indicators necessary to reach the target position in the "Getting Electricity" ranking of the Doing Business rankings in 2015.</p> <p>5. Miscellaneous.</p> <p>6. Review of the Long-Term Development Program of JSC ROSSETI.</p>
<p><b>26.12.2014, №175</b></p>	<ol style="list-style-type: none"> <li>1. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the item on the agenda of the meeting of the Board of Directors of IDGC of Centre, JSC: "Tentative approval of the decision on the Company's entering into a transaction associated with transferring title to the real property that is a construction-in-progress facility intended for use other than the generation, transmission, dispatching, and distribution of electricity and heat, namely the office building located at: Russia, Kursk Region, Kursk, ul. Engelsa-Krasnoy Armii, through a public offering."</li> <li>2. Approval of the agreements for training of specialists in accordance with the State Plan of Managerial Personnel Training for National Economy Entities of the Russian Federation between JSC ROSSETI and the Moscow Power Engineering Institute (National Research University) (hereinafter, "MPEI (NRU)"), which are related party transactions.</li> <li>3. Defining of the position of the Company (representatives of the Company) on the item on the agenda of the meeting of the Board of Directors of OAO Engineering Center UES Real Estate: "Approval of the design and survey agreement for the construction of the Federal Testing Center (Design Documentation Phase) to be entered into by and between the Company and the person selected through a public bidding procedure, which is a major transaction."</li> <li>4. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the item on the agenda of the meeting of the Board of Directors of OAO Urals Power Engineering Company Real Estate: "Tentative approval of the decision on the Company's entering into a transaction associated with transferring title to the property that is capital assets intended for use other than the generation, transmission, dispatching, and distribution of electricity and heat and located at: Yekaterinburg, per. Avtomatiki, 3."</li> <li>5. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the item on the agenda of the meeting of the Board of Directors of OAO South Center of Power Engineering Real Estate: "Tentative approval of the decision on the Company's entering into a transaction associated with transferring title to the property that is capital assets intended for use other than the generation, transmission, dispatching, and distribution of electricity and heat and located at: Rostov-on-Don, ul. Litvinova, 4."</li> <li>6. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the item on the agenda of the meeting of the Board of Directors of OAO South Center of Power Engineering Real Estate: "Tentative approval of the decision on the Company's entering into a transaction associated with transferring title to the property that is capital assets intended for use other than the generation, transmission, dispatching, and distribution of electricity and heat and located at: Krasnodar, Karasunsky District, ul. Starokubanskaya, 116."</li> <li>7. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the item on the agenda of the meeting of the Board of Directors of OAO South Center of Power Engineering Real Estate: "Tentative approval of the decision on the Company's entering into a transaction associated with transferring title to the property that is capital assets intended for use other than the generation, transmission, dispatching, and distribution of electricity and heat and located at: Rostov-on-Don, Budennyovskiy pr-t, 2."</li> <li>8. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the item on the agenda of the meeting of the Board of Directors of OAO Urals Power Engineering Company Real Estate: "Tentative approval of the decision on the Company's entering into a transaction associated with transferring title to the property that is capital assets intended for use other than the generation, transmission, dispatching, and distribution of electricity and heat and located at: Yekaterinburg, ul. Pervomaiskaya, 56."</li> <li>9. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the item on the agenda of the meeting of the Board of Directors of OAO Urals Power Engineering Company Real Estate: "Tentative approval of the decision on the Company's entering into a transaction associated with transferring title to the property that is capital assets intended for use other than the generation, transmission, dispatching, and distribution of electricity and heat and located at:</li> </ol>

	<p>Chelyabinsk, pr. Pobedy, 168.”</p> <p>10. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the items on the agenda of the Extraordinary General Meeting of Shareholders of JSC VPEC.</p> <p>11. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the item on the agenda of the meeting of the Board of Directors of IDGC of South, JSC, a subsidiary of JSC ROSSETI.</p> <p>12. Review of the Schedule of Formulating the Consolidated Investment Program of JSC ROSSETI and Reporting on Its Implementation.</p> <p>13. Improvement of the efficiency and transparency of the Company’s activities.</p> <p>14. Review of the Standard for Auditing the Implementation of the Long-Term Development Program of JSC ROSSETI.</p> <p>15. Amendments to the employment contract with the Director General of JSC ROSSETI, linking the Director General’s remuneration to the attainment of the Company’s planned performance indicators specified in the Long-Term Development Program of JSC ROSSETI.</p> <p>16. Review of the report on the implementation of the consolidated investment program of JSC ROSSETI for the 3rd quarter of 2014 and the 9 months of 2014.</p>
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☐ Detailed information about the Minutes, considered by the Board of Directors in 2014, can be found on the corporate website at <http://www.rosseti.ru/investors/solutions/?year=2014>

### Issues Considered by Committees of the Board of Directors in 2014

Committee of the Board of Directors	Date and Number of the Meeting Minutes	Considered Issues
Audit Committee	February 13, 2014; No. 47	<ol style="list-style-type: none"> <li>1. Provisioning for impairment of financial investments.</li> <li>2. Defining of the terms and conditions of a public bidding procedure for the right to enter into the agreement to conduct a mandatory annual audit of the statements of JSC ROSSETI for 2014, including the determination of the fee for the services provided by the Auditor.</li> <li>3. Review of the report of the Internal Audit and Control Department of JSC ROSSETI on the implementation of the action plan in the 2nd half of 2013, including on the results of the audit of procurement of subsidiaries and dependent companies of JSC ROSSETI.</li> </ol>
	March 27, 2014; No. 48	<ol style="list-style-type: none"> <li>1. Review of internal documents of JSC ROSSETI.               <ol style="list-style-type: none"> <li>1.1. Review of a restated version of the Internal Control Policy of JSC ROSSETI.</li> <li>1.2. Draft of the Internal Audit Policy of JSC ROSSETI.</li> <li>1.3. Draft of a restated version of the Risk Management Policy of JSC ROSSETI.</li> </ol> </li> <li>2. Review of the draft of the Model Regulations for the Internal Audit Commission for subsidiaries and dependent companies of JSC ROSSETI.</li> </ol>
	April 17, 2014; No. 49	<ol style="list-style-type: none"> <li>1. Draft of the accounting (financial) statements of JSC ROSSETI in accordance with Russian Accounting Standards for 2013.</li> <li>2. Comments received by the Audit Committee from the external auditor on the main problems of the accounting (financial) statements of JSC ROSSETI in accordance with Russian Accounting Standards for 2013.</li> <li>3. Draft of the consolidated financial statements of the ROSSETI Group in accordance with International Financial Reporting Standards for the year ended December 31, 2014.</li> <li>4. Comments received by the Audit Committee from the external auditor on the main problems of the consolidated financial statements of the ROSSETI Group in accordance with International Financial Reporting Standards for the year ended December 31, 2014.</li> <li>5. Assessment by the Audit Committee of the auditors’ report on the accounting (financial) statements of the Company in</li> </ol>

		<p>accordance with Russian Accounting Standards for 2013.</p> <p>6. Consideration of a nominee for the Auditor of JSC ROSSETI.</p>
	<b>April 18, 2014; No. 50</b>	1. Results of measures aimed at compliance by JSC ROSSETI with the requirements of laws on insider information control in 2013.
	<b>June 18, 2014; No. 51</b>	<ol style="list-style-type: none"> <li>1. Review of the Regulations for Insider Information of JSC ROSSETI.</li> <li>2. Review of the report on risk management at subsidiaries and dependent companies of JSC ROSSETI for the period of their performance of the supplier of last resort functions.</li> <li>3. Review of the report on key risks of JSC ROSSETI and its subsidiaries and dependent companies for 2013.</li> <li>4. Review of the internal auditor's report on the efficiency of the internal control and risk management system of JSC ROSSETI and its subsidiaries and dependent companies for 2013.</li> </ol>
	<b>October 30, 2014; No. 52</b>	<ol style="list-style-type: none"> <li>1. Election of the Deputy Chairman of the Audit Committee of the Board of Directors of JSC ROSSETI.</li> <li>2. Election of the Secretary of the Audit Committee of the Board of Directors of JSC ROSSETI.</li> <li>3. Approval of the action plan of the Audit Committee for the corporate year 2014/15.</li> <li>4. Review of information concerning the financial condition of IDGC of South, JSC.</li> <li>5. Results of measures aimed at compliance by JSC ROSSETI with the requirements of laws on insider information control in the 1st half of 2014.</li> </ol>
	<b>December 25, 2014; No. 53</b>	<ol style="list-style-type: none"> <li>1. Implementation of the Risk Management Policy of JSC ROSSETI approved by the decision adopted by the Board of Directors of JSC ROSSETI on April 28, 2014 (Minutes of the Meeting No. 151).</li> <li>2. Review of the annual action plan of the Internal Audit and Control Department of JSC ROSSETI for 2015.</li> </ol>
<b>Investment, Technical Policy, Reliability, Energy Efficiency, and Innovation Committee</b>	<b>March 11, 2014; No. 40</b>	1. Review of the consolidated investment program of JSC ROSSETI for 2015–2019.
	<b>April 4, 2014; No. 41</b>	1. Review of the report of the sole executive body on the findings of monitoring metal products purchased by subsidiaries and dependent companies of JSC ROSSETI in 2013.
	<b>April 21, 2014; No. 42</b>	1. Innovative Development, Energy Conservation, and Energy Efficiency Policy of JSC ROSSETI.
	<b>May 27, 2014; No. 43</b>	1. Formulation of the Unified Energy Conservation and Energy Efficiency Enhancement Program of Subsidiaries and Dependent Companies of JSC ROSSETI.
	<b>June 16, 2014; No. 44</b>	<ol style="list-style-type: none"> <li>1. Creation of electricity billing metering systems in the wholesale and retail markets and the fulfillment of the requirements set forth in the Wholesale Electricity and Capacity Market Rules as related to verifying the suitability of the Automated Information System of Electricity Billing Metering for JSC FGC UES's billing metering cross-sections and supplier of last resort cross-sections on interregional distribution grid companies' grids.</li> <li>2. Review of the report on the implementation of the consolidated investment program of JSC ROSSETI for the 4th quarter of 2013 and 2013.</li> </ol>
	<b>July 29, 2014; No. 45</b>	<ol style="list-style-type: none"> <li>1. Review of the results of implementing the Annual Comprehensive Procurement Program of the Company and the consolidated Annual Comprehensive Procurement Program of subsidiaries and dependent companies for major investment projects for 2013.</li> <li>2. Approval of the Annual Comprehensive Procurement Program of JSC ROSSETI for 2014.</li> <li>3. Approval of the agreement to coordinate and develop the regulatory and technical support system in the electric grid sector between JSC ROSSETI and its subsidiaries and dependent companies, which is a related party transaction.</li> <li>4. Ongoing measures to improve the efficiency of implementing investment programs of subsidiaries and dependent</li> </ol>

		companies of JSC ROSSETI, including the programs ensuring the implementation of the relevant decisions of the Government of the Russian Federation and federal executive authorities. 5. Review of the performance report of the Investment, Technical Policy, Reliability, Energy Efficiency, and Innovation Committee of the Board of Directors of JSC ROSSETI.
	<b>September 16, 2014; No. 46</b>	1. Review of the report on the implementation of the consolidated investment program of JSC ROSSETI for the 1st quarter of 2014. 2. Report on the implementation of the Innovative Development Program of JSC ROSSETI in 2013. 3. Approval of the Innovative Development Program of JSC ROSSETI for 2014–2018 with long-term plans until 2020.
	<b>October 24, 2014; No. 47</b>	1. Review of proposals to amend the current procedure for formulating, agreeing, and approving investment programs of subsidiaries and dependent companies of JSC ROSSETI and the consolidated investment program of JSC ROSSETI.
	<b>October 30, 2014; No. 48</b>	1. Review of the report on the implementation of the consolidated investment program of JSC ROSSETI for the 2nd quarter of 2014 and the 1st half of 2014. 2. Progress in conducting the technological and price audit of investment programs of subsidiaries and dependent companies of JSC ROSSETI.
	<b>November 14, 2014; No. 49</b>	1. Approval of the Schedule of Formulating the Consolidated Investment Program of JSC ROSSETI and Reporting on Its Implementation.
	<b>December 9, 2014; No. 50</b>	1. Review of the Investment Policy of JSC ROSSETI.
	<b>December 23, 2014; No. 51</b>	1. Review of the report on the implementation of the consolidated investment program of JSC ROSSETI for the 3rd quarter of 2014 and the 9 months of 2014.
<b>Valuation Committee</b>	<b>March 27, 2014; No. 56</b>	1. Market value appraisal of movable property owned by JSC ROSSETI. 2. Market value appraisal of construction-in-progress facilities, namely Udimia 35/10-kV Substation with 35-kV overhead branch lines with 10-kV distribution networks at Udinsky and Yerga, Kotlas District, Arkhangelsk Region. 3. Market value appraisal of the right of temporary and use in relation to real property under a lease agreement.
	<b>May 15, 2014; No. 57</b>	1. Market value appraisal of facilities, namely outdoor heat networks under the investment program (Gusev, Gusev District, Kaliningrad Region). 2. Market value appraisal of a nonresidential building, namely the Recreation Center located at: Russia, Chelyabinsk Region, Ozyorsk, Novogornyy, ul. Teatralnaya, 1, and owned by IDGC of Urals, JSC.
	<b>July 7, 2014; No. 58</b>	1. Market value appraisal of the electric grid facilities of Kalugino 110/10kV Substation No. 807 located at: Moscow Region, Serpukhov District. 2. Market value appraisal of the plot of land located at: Moscow Region, Klin District, near the village of Spas-Zaulok, and owned by JSC MOESK. 3. Review of the performance report of the Valuation Committee of the Board of Directors of JSC ROSSETI.
	<b>October 16, 2014; No. 59</b>	1. Appraisal the electric grid facilities located at: Moscow Region, Balashikha, Tsentral Housing Estate, Akvareli Residential Complex. 2. Market value appraisal of a stake of 25% plus one share in OAO Energotsentr.
	<b>November 11, 2014; No. 60</b>	1. Market value appraisal of the property located at: Yekaterinburg, ul. Pervomaiskaya, 56, and owned by OAO Urals Power Engineering Company Real Estate. 2. Market value appraisal of the property located at: Yekaterinburg, per. Avtomatiki, 3, and owned by OAO Urals Power Engineering Company Real Estate. 3. Market value appraisal of the property located at: Chelyabinsk, pr. Pobedy, 168 (liter A), and owned by OAO Urals Power Engineering Company Real Estate. 4. Market value appraisal of the property located at: Rostov-on-Don, Budyonnovskiy pr-t, 2, and owned by OAO South Center of Power Engineering Real Estate. 5. Market value appraisal of the property located at: Rostov-on-Don, ul. Litvinova, 4, and owned by OAO South Center of

		Power Engineering Real Estate. 6. Market value appraisal of the property located at: Krasnodar, ul. Starokubanskaya, 116, and owned by OAO South Center of Power Engineering Real Estate.
	<b>December 18, 2014; No. 61</b>	1. Market value appraisal of the property located at: Yekaterinburg, ul. Lenina, 38 and owned by OAO Urals Power Engineering Company Real Estate. 2. Market value appraisal of the property located at: Saratov, ul. ul. Rakhova V. G., 187/213, and owned by OAO Volga Power Engineering Center Real Estate. 3. Market value appraisal of the property located at: Samara, Oktyabrsky District, ul. Avrory, 148, and owned by OAO Volga Power Engineering Center Real Estate. 4. Market value appraisal of the property located at: Nizhni Novgorod, pr-t Lenina, 20, and owned by OAO Volga Power Engineering Center Real Estate. 5. Market value appraisal of the property located at: Saint Petersburg, Voznesensky prospekt, 26, lit. A, and owned by OAO North-West Power Engineering Center Real Estate.
	<b>October 29, 2014; No. 99</b>	1. Review of the draft of the Long-Term Development Program of JSC ROSSETI.
	<b>October 20, 2014; No. 98</b>	1. Approval of the Regulations for Credit Policy of JSC ROSSETI. 2. Comprehensive Security Policy of JSC ROSSETI.
<b>Strategy Committee</b>	<b>February 6, 2014; No. 80</b>	1. Review of the Strategy for Development of JSC ROSSETI and the Action Plan to Implement the Strategy for Development of JSC ROSSETI. 2. Review of the Program of JSC ROSSETI for Improving the Efficiency of Measures to Reduce Receivables for Electricity Distribution Services. 3. Implementation by JSC ROSSETI of Ordinance of the Government of the Russian Federation No. 1144-r of June 30, 2012, "On the Approval of the Action Plan (Road Map) 'Enhancing the Affordability of the Power Infrastructure.'" 4. Review of the report of the sole executive body of JSC ROSSETI on the completed comparative analysis (benchmarking) of operations of JSC ROSSETI subsidiaries and dependent companies for 2010–2012. 5. JSC ROSSETI Budget. 6. Review of the draft of the Model Standard for the Public Technological and Price Audit of Investment Projects of Subsidiaries and Dependent Companies of JSC ROSSETI.
	<b>February 21, 2014; No. 81</b>	1. Amendments to the decision adopted by the Board of Directors of JSC ROSSETI on December 27, 2013, (Minutes of the Meeting No. 142) concerning Item 11 "Approval of the agreement for fee-based technical supervision services between JSC ROSSETI and JSC FGC UES, which is a related party transaction."
	<b>March 3, 2014; No. 82</b>	1. Review of the report on progress in developing a restated version of the Strategy for Development of JSC ROSSETI. 2. Review of the Action Plan to Implement the Strategy for Development of JSC ROSSETI. 3. Economic Policy of JSC ROSSETI. 4. Implementation of the project to issue exchange-traded bonds of JSC Russian Grids, Series BO-01, BO-02, BO-03, BO-04, BO-05, BO-06, BO-07, BO-08, BO-09, and BO-10. 5. Placement of securities of Joint Stock Company Russian Grids (Exchange-Traded Bonds, Series BO-01, BO-02, BO-03, BO-04, BO-05, BO-06, BO-07, BO-08, BO-09, and BO-10). 6. Innovative Development, Energy Conservation, and Energy Efficiency Enhancement Policy of JSC ROSSETI. 7. Investment Policy of JSC ROSSETI. 8. Concept of Setting up the Federal Testing Center (FTC).
	<b>March 31, 2014; No. 83</b>	1. Transfer by JSC ROSSETI of 100% shares in JSC VNIPIENERGOPROM. 2. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the item on the agenda of the meeting of the Board of Directors of IDGC of Northern Caucasus, JSC. 3. Opening of the representative office of JSC ROSSETI and amendments to the Articles of Association of JSC ROSSETI

		in connection with the opening of the representative office.
	<b>April 8, 2014; No. 84</b>	<ol style="list-style-type: none"> <li>1. Approval of the lease agreement between JSC ROSSETI and JSC FGC UES, which is a related party transaction.</li> <li>2. Approval of the agreement for Verification Center services to be entered into by and between JSC ROSSETI and JSC FGC UES, which is a related party transaction.</li> <li>3. Approval of the limited credit line agreement between JSC ROSSETI and the Russian Regional Development Bank, which is a related party transaction.</li> </ol>
	<b>April 18, 2014; No. 85</b>	<ol style="list-style-type: none"> <li>1. Proposals for the Annual General Meeting of Shareholders of JSC ROSSETI concerning the issue “Approval of the liability insurance contract for directors and officers, which is a related party transaction.”</li> <li>2. Proposals for the Annual General Meeting of Shareholders of JSC ROSSETI concerning the issue “Approval of the liability insurance contract for directors and officers to be entered into for the period from December 25, 2014, to and including December 24, 2015, which is a related party transaction.”</li> <li>3. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the items on the agenda of the Extraordinary General Meeting of Shareholders of JSC VPEC.</li> </ol>
	<b>April 21, 2014; No. 86</b>	<ol style="list-style-type: none"> <li>1. Review of the Action Plan to Implement the Strategy for Development of JSC ROSSETI.</li> <li>2. Innovative Development, Energy Conservation, and Energy Efficiency Enhancement Policy of JSC ROSSETI.</li> <li>3. Concept of Setting up the Federal Testing Center (FTC).</li> <li>4. Measures to reduce receivables from North Caucasian energy retailers of the ROSSETI Group and from OAO Tyvaenergosbyt, a subsidiary of JSC ROSSETI, in the wholesale electricity and capacity market.</li> </ol>
	<b>May 6, 2014; No. 87</b>	<ol style="list-style-type: none"> <li>1. Economic Policy of JSC ROSSETI.</li> <li>2. Review of model amendments to the articles of association of subsidiaries and dependent companies of JSC ROSSETI.</li> </ol>
	<b>May 26, 2014; No. 88</b>	<ol style="list-style-type: none"> <li>1. Report on the implementation of the business plans of subsidiaries and dependent companies JSC ROSSETI and the JSC ROSSETI Budget for 2013.</li> <li>2. Progress in implementing the Strategy for Disposing of Noncore Assets of JSC ROSSETI and Subsidiaries and Dependent Companies of JSC ROSSETI and proposals to change the disposal or use of noncore assets of JSC ROSSETI and subsidiaries and dependent companies of JSC ROSSETI, and the approval of a restated version of the Register (Sale Program) of Noncore Assets of JSC ROSSETI.</li> <li>3. Proposals from JSC ROSSETI to improve the territorial planning and prospective physical planning of electric grid facilities.</li> </ol>
	<b>June 23, 2014; No. 89</b>	<ol style="list-style-type: none"> <li>1. Approval of the adjusted JSC ROSSETI Budget for 2014.</li> <li>2. Dealing with receivables from energy retailers that are members of the ROSSETI Group and from subsidiaries and dependent companies of JSC ROSSETI that perform the Supplier of Last Resort functions.</li> </ol>
	<b>June 24, 2014; No. 90</b>	<ol style="list-style-type: none"> <li>1. Review of the Action Plan to Implement the Strategy for Development of JSC ROSSETI.</li> </ol>
	<b>July 8, 2014; No. 91</b>	<ol style="list-style-type: none"> <li>1. Approval of the agreement to coordinate and develop the regulatory and technical support system in the electric grid sector between JSC ROSSETI and its subsidiaries and dependent companies, which is a related party transaction.</li> <li>2. Review of the performance report of the Strategy Committee of the Board of Directors of JSC ROSSETI.</li> </ol>
	<b>August 6, 2014; No. 92</b>	<ol style="list-style-type: none"> <li>1. Feasibility study of setting up the Federal Testing Center (FTC).</li> <li>2. Approval of Addendum No. 1 to Agreement for Technical Supervision Services No. TsTN/13-13 of December 30, 2013, between JSC ROSSETI and JSC Tyumenenergo, which is a related party transaction.</li> <li>3. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the item on the agenda of the meeting of the Board of Directors of IDGC of Centre, JSC “Defining of the position of the Company on the item on the agenda of the General Meeting of Shareholders of OAO Yargorelektroset.”</li> </ol>
	<b>September 9, 2014; No. 93</b>	<ol style="list-style-type: none"> <li>1. Defining of the position of representatives of the Company on the items on the agendas of the general meetings of shareholders and meetings of the boards of directors of subsidiaries and dependent companies.</li> <li>2. Change in the stakes held by JSC ROSSETI in the authorized capital of OAO North-West Power Engineering Center</li> </ol>

	Real Estate, OAO Volga Power Engineering Center Real Estate, OAO South Center of Power Engineering Real Estate, OAO Urals Power Engineering Company Real Estate, OAO Siberian Energy Scientific and Technical Center Real Estate, and OAO VNIPIENERGOPROM Real Estate. 3. JSC ROSSETI's holding a stake in OAO Engineering Center UES Real Estate.
<b>September 10, 2014; No. 94</b>	1. Review of the draft of the Long-Term Development Program of JSC ROSSETI. 2. Comparative analysis of operations conducted by JSC ROSSETI's distribution grid companies in 2011–2013. 3. Approval of the Innovative Development Program of JSC ROSSETI for 2014–2018 with long-term plans until 2020. 4. Pre-trial resolution of disagreements.
<b>September 16, 2014; No. 95</b>	1. Review of the draft of the Long-Term Development Program of JSC ROSSETI. 2. Comparative analysis of operations conducted by JSC ROSSETI's distribution grid companies in 2011–2013. 3. Pre-trial resolution of disagreements.
<b>October 3, 2014; No. 96</b>	1. Approval of the services agreements in relation to organizing the operation of and to developing electric grid facilities between JSC ROSSETI and JSC ROSSETI subsidiaries and dependent companies engaged in electricity distribution, which are related party transactions.
<b>October 14, 2014; No. 97</b>	1. Recommendations for the Board of Directors of JSC ROSSETI concerning the issue: "Defining of the position of the Company (representatives of the Company) on the item on the agenda of the General Meeting of Shareholders of OAO Engineering Center UES Real Estate."
<b>October 20, 2014; No. 98</b>	1. Approval of the Regulations for Credit Policy of JSC ROSSETI. 2. Comprehensive Security Policy of JSC ROSSETI.
<b>October 29, 2014; No. 99</b>	1. Review of the draft of the Long-Term Development Program of JSC ROSSETI.
<b>October 30, 2014; No. 100</b>	1. Review of the draft of the Long-Term Development Program of JSC ROSSETI.
<b>November 17, 2014; No. 101</b>	1. Approval of a restated version of the Regulations for Dividend Policy of JSC ROSSETI.
<b>December 5, 2014; No. 102</b>	1. Outstanding problems that affect electricity connections in the areas serviced by the Company and its subsidiaries and dependent companies, including information by region and specifying the Company's opinion about the results of the annual economy rankings published by the World Bank on the <i>Doing Business</i> website on October 29, 2014, with respect to electricity connections, and proposals to resolve the problems and contribute to Russia's higher position in the "Getting Electricity" ranking of <i>Doing Business</i> . 2. Priority established for JSC ROSSETI's activities: the implementation of the Smart Grid Construction Investment Project. 3. Approval of the suretyship agreement to be entered into by and between JSC ROSSETI and OOO Infrastructure Investments-3 to secure the performance of the obligations of JSC Yantarenergo. 4. Approval of the suretyship agreement to be entered into by and between JSC ROSSETI and OOO Infrastructure Investments-3 to secure the performance of the obligations of IDGC of Centre, JSC. 5. Approval of the suretyship agreement to be entered into by and between JSC ROSSETI and OOO Infrastructure Investments-3 to secure the performance of the obligations of IDGC of Center and Volga Region, JSC. 6. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the item on the agenda of the Extraordinary General Meeting of Shareholders of JSC Yantarenergo "Approval of the movable property lease agreement to be entered into by and between JSC Yantarenergo and OOO Infrastructure Investments-3, which is a major transaction." 7. Investment Policy of JSC ROSSETI. 8. Review of the JSC ROSSETI Budget for 2015. 9. Review of the Action Plan to Raise the Market Capitalization of JSC ROSSETI and Its Appeal for Investors. 10. Defining of the position of the Company (representatives of the Company) on the item on the agenda of the meeting of the Board of Directors of OAO Engineering Center UES Real Estate: "Approval of the design and survey agreement for the construction of the Federal Testing Center (Design Documentation Phase) to be entered into by and between the

		<p>Company and the person selected through a public bidding procedure, which is a major transaction.”</p> <p>11. Pre-trial resolution of disagreements.</p> <p>12. Review of the report on the implementation of Section II “Operating Activities” of the Action Plan to Implement the Strategy for Development of JSC ROSSETI approved by the decision adopted by the Board of Directors on February 12, 2014 (Minutes of the Meeting No. 144).</p> <p>13. Approval of the action plan for targeted studies aimed at making the in-depth analysis of various functional areas of distribution grid companies that are subsidiaries and dependent companies of JSC ROSSETI, and the plan for the comparative analysis (benchmarking) of the activities of distribution grid companies that are subsidiaries and dependent companies of JSC ROSSETI for 2012–2014.</p>
	<b>December 15, 2014; No. 103</b>	<p>1. Priority established for JSC ROSSETI’s activities: the implementation of the Smart Grid Construction Investment Project.</p> <p>2. Approval of the suretyship agreement to be entered into by and between JSC ROSSETI and OOO Infrastructure Investments-3 to secure the performance of the obligations of JSC Yantarenergo.</p> <p>3. Approval of the suretyship agreement to be entered into by and between JSC ROSSETI and OOO Infrastructure Investments-3 to secure the performance of the obligations of IDGC of Centre, JSC.</p> <p>4. Approval of the suretyship agreement to be entered into by and between JSC ROSSETI and OOO Infrastructure Investments-3 to secure the performance of the obligations of IDGC of Center and Volga Region, JSC.</p> <p>5. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the item on the agenda of the Extraordinary General Meeting of Shareholders of JSC Yantarenergo “Approval of the movable property lease agreement to be entered into by and between JSC Yantarenergo and OOO Infrastructure Investments-3, which is a major transaction.”</p> <p>6. Investment Policy of JSC ROSSETI.</p>
	<b>December 19, 2014; No. 104</b>	<p>1. Defining of the position of the Company (representatives of the Company) on the item on the agenda of the meeting of the Board of Directors of OAO Engineering Center UES Real Estate: “Approval of the design and survey agreement for the construction of the Federal Testing Center (Design Documentation Phase) to be entered into by and between the Company and the person selected through a public bidding procedure, which is a major transaction.”</p> <p>2. Approval of the agreements for training of specialists in accordance with the State Plan of Managerial Personnel Training for National Economy Entities of the Russian Federation between JSC ROSSETI and the Moscow Power Engineering Institute (National Research University) (hereinafter, “MPEI (NRU)”), which are related party transactions.</p>
	<b>December 24, 2014; No. 105</b>	<p>1. Progress in preparations for the 2018 FIFA World Cup in the Russian Federation.</p> <p>2. Defining of the position of JSC ROSSETI (representatives of JSC ROSSETI) on the items on the agenda of the Extraordinary General Meeting of Shareholders of JSC VPEC.</p>
<b>Nomination and Remuneration Committee</b>	<b>February 10, 2014; No. 25</b>	<p>1. Election of the Secretary of the Nomination and Remuneration Committee of the Board of Directors of JSC ROSSETI.</p> <p>2. Approval of the action plan of the Nomination and Remuneration Committee of the Board of Directors of JSC ROSSETI for the corporate year 2013/14.</p> <p>3. Approval of qualification requirements for the chief executives of subsidiaries and dependent companies of JSC ROSSETI.</p>
	<b>May 30, 2014; No. 26</b>	<p>1. Personnel and Social Policy of JSC ROSSETI.</p>
	<b>October 9, 2014; No. 27</b>	<p>1. Approval of the action plan of the Committee for the 2nd half of 2014.</p> <p>2. Election of the Deputy Chairman of the Committee.</p> <p>3. Election of the Secretary of the Committee.</p> <p>4. Recommendations for the Board of Directors of the Company concerning the issue: “Regulations for Key Performance Indicators of JSC ROSSETI.”</p> <p>5. Recommendations for the Board of Directors of the Company concerning the issue: “Technique for Calculating and Evaluating the KPI of the Director General of JSC ROSSETI.”</p>

	<b>December 9, 2014; No. 28</b>	<ol style="list-style-type: none"> <li>1. Implementation of the option program of incentives for the ROSSETI Group's management.</li> <li>2. Recommendations for the Board of Directors of the Company concerning the issue: "Approval of the attainment of the key performance indicators for the Director General of JSC ROSSETI for the 2nd and 3rd quarters of 2014."</li> </ol>
<b>Society, Customer, and Government Relations and Information Policy Committee</b>	<b>February 28, 2014; No. 7</b>	<ol style="list-style-type: none"> <li>1. Review of the report on the findings of social research.</li> </ol>
	<b>May 28, 2014; No. 8</b>	<ol style="list-style-type: none"> <li>1. Policy on Society, Customer, and Government Relations of JSC ROSSETI.</li> </ol>
	<b>July 4, 2014; No. 9</b>	<ol style="list-style-type: none"> <li>1. Review of the performance report of the Society, Customer, and Government Relations and Information Policy Committee of the Board of Directors of JSC ROSSETI.</li> </ol>

## Appendix 10. REGISTRAR and REGISTRAR OFFICES

### REGISTRAR

#### **ZAO STATUS Registration Company:**

Address: 109544, Moscow, ul. Novorogozhskaya, 32/1

Telephone: +7 (495) 974-83-45, 974-83-50

Fax: +7 (495) 678-71-10

[www.rostatus.ru](http://www.rostatus.ru)

### REGISTRAR OFFICES

#### 1. Alekseyevka Office

Address: 309850, Belgorod Region, Alekseyevka, ul. Frunze, 2A, k. 13-14

Telephone/Fax: (47234) 3-25-18

E-mail: [alekseevka@rostatus.ru](mailto:alekseevka@rostatus.ru)

Director: Galina Dmitryevna Kuznetsova

#### 2. Arkhangelsk Office

Address: 163000, Arkhangelsk, ul. Rozy Luksemburg, 5, korp. 1

Telephone: (8182)633260

E-mail: [arhangelsk@rostatus.ru](mailto:arhangelsk@rostatus.ru);

Director: Irina Ruslanovna Detkova

#### 3. Bashkir office

Address: 450001, Republic of Bashkortostan, Ufa, ul. Kirovogradskaya, 36/2

Telephone: (347) 216-37-44

E-mail: [bashkiriya@rostatus.ru](mailto:bashkiriya@rostatus.ru)

Director - Yulia Vladimirovna Reznikova

#### 4. Vladivostok Office

Address: 690001, Vladivostok, Pogranichnaya st., 6

Telephone/Fax: (4232) 22-45-18

E-mail: [vladivostok@rostatus.ru](mailto:vladivostok@rostatus.ru)

Director - Alexander Mikhailovich Miroshnichenko

#### 5. Vladikavkaz Office

Address: 362003, Republic of North Ossetia-Alania, Vladikavkaz, ul. Karla Marksa, 25

Telephone/Fax: (8672) 25-23-56

E-mail: [vladikavkaz@rostatus.ru](mailto:vladikavkaz@rostatus.ru)

Director: Andrey Tatushevich Tandelov

#### 6. Vologda Office

Address: Russia, 160000, Vologda, Dobrolyubova st., 26

Telephone/Fax: (8172) 54-87-46

E-mail: [vologda@rostatus.ru](mailto:vologda@rostatus.ru)

Director: Yelena Mikhailovna Kupriyanova

#### 7. Voronezh Office

Address: 394036, Voronezh, Feoktistova st., 4

Telephone/Fax: (4732) 53-13-54, 64-44-47, 64-44-49

E-mail: [voroneg@rostatus.ru](mailto:voroneg@rostatus.ru)

Director - Dmitry Ivanovich Potapov

#### 8. Yekaterinburg Office

Address: 620026, Sverdlovsk Region, Yekaterinburg, Kyubisheva st., 44

Telephone/Fax: (343) 287-18-39, 8 (922)169-21-50

E-mail: [ekaterinburg@rostatus.ru](mailto:ekaterinburg@rostatus.ru)

Director - Pavel Anatolyevich Ivanov

#### 9. Izhevsk Office

Address: Russia, 426011, Udmurtian Republic, Izhevsk, 10 let Oktyabrya st., 53

Telephone/Fax: 8 (3412) 90-13-30

E-mail: izhevsk@rostatus.ru  
Director - Lyudmila Grigoryevna Volkova

10. Irkutsk office

Address: Russia, 664003, Irkutsk region, Irkutsk, Dzherzhinskogo st., 7  
Telephone/Fax: (3952) 20-09-83  
E-mail: irkutsk@rostatus.ru  
Director - Anna Valerievna Khlebnikova

11. Kanaz Office

Address: 420043, Republic of Tatarstan, Kazan, Vishnevskogo st., 26  
Telephone/Fax: (843) 200-11-72  
E-mail: kazan@rostatus.ru  
Director – Arslan Faridovich Shigapov

12. Kaluga Office

Address: 248002, Kaluga, Saltykova-Shchedrina st., 23  
Telephone/Fax: (4842) 56-43-07, 56-43-06, 56-31-90  
E-mail: kaluga@rostatus.ru  
Director - Boris Ivanovich Poltoratsky

13. Kostroma Office

Address: 156000, Kostroma, Pyatnitskaya st., 49  
Telephone/Fax: (4942) 31-64-04  
E-mail: kostroma@rostatus.ru;  
Director - Mikhail Aleksandrovich Ipatov

14. Krasnodar Office

Address: 350000, Krasnodar, Krasnoarmeyskaya st., 30/1  
Telephone/Fax: (861) 274-88-85, 274-88-86  
E-mail: krasnodar@rostatus.ru  
Director - Ilona Andreyevna Kalmykova

15. Magnitogorsk Office

Address: 455044, Chelyabinsk Region, Magnitogorsk, Zavenyagina st., 9  
Telephone/Fax: (3519) 25-60-22, 25-60-23  
E-mail: magnitogorsk@rostatus.ru  
Director - Sergey Sergeyevich Yasko

16. Naberezhnye Chelny Office

Address: Russia, 423834, Republic of Tatarstan, Naberezhnye Chelny, prospekt Kh. Tufana, 6  
Telephone/Fax: (8552) 35-80-89  
E-mail: nchelny@rostatus.ru  
Director: Olga Alexandrovna Dyltseva

17. Nakhodka office

Address: 692904, the Primorsky Kray, Nakhodka, Portovaya st., 3a  
Telephone/Fax: (4236) 62-05-20, 62-25-32  
E-mail: nahodka@rostatus.ru  
Director - Svetlana Alexandrovna Pritz

18. Nizhni Novgorod Office

Address: 603155, Nizhni Novgorod, Bolshaya Pecherskaya st., 32  
Telephone/Fax: (831) 220-53-65, 220-53-66  
E-mail: nnovgorod@rostatus.ru  
Director - Yevgeny Yevgenyevich Grishanin

19. Omsk office

Address: 644043, Omsk, Kemerovskaya st., 10  
Telephone/Fax: (3812) 25-05-50, 24-45-11  
E-mail: omsk@rostatus.ru  
Director: Valentina Petrovna Mikhailova

20. Orenburg office

Adress: 460021, Orenburg, 60 let Oktiabria st., 30 A  
Telephone/Fax: (3532) 70-26-64  
E-mail: orenburg@rostatus.ru  
Director - Tatiana Anatolievna Yatsuk

21. Oryol Separate Division

Address: 302028, Oryol, Saltykova-Shchedrina st., 32  
Telephone/Fax: (4862) 48-36-47  
E-mail: orel@rostatus.ru , statusorel@rekom.ru  
Director - Yelena Gennadyevna Fenicheva

22. Sochi Separate Division

Address: 354341, Krasnodar Territory, Sochi, Karla Marksa st., 14  
Telephone/Fax: (8622) 40-55-10  
E-mail: sochi@rostatus.ru  
Director - Nadezhda Konstantinovna Popova

23. Chita Separate Division

Address: 672000, Transbaikal Territory, Chita, Petrovskaya st., 35  
Telephone/Fax: (3022) 26-38-71  
E-mail: chita@rostatus.ru  
Director – Alena Borisovna Askarova

24. Yuzhno-Sakhalinsk Separate Division

Address: 693020, Sakhalin region, Yuzhno-Sakhalinsk, Kruykova st., 57  
Telephone/Fax: (4242) 50-08-07  
E-mail: yuzhno-sakhalinsk@rostatus.ru  
Director –Tatyana Vladimirovna Pavelieva

25. Penza office

Adress: 440052, Penza, Chkalova st., 52, bld. 1  
Telephone/Fax: (8412) 23-10-15, 23-10-14  
E-mail: penza@rostatus.ru  
Director - Dmitry Vitalievich Makurin

26. Perm Separate Division

Address: 614990, Perm, Lenina st., 50  
Telephone/Fax: (342) 201-71-73  
E-mail: perm@rostatus.ru  
Director: Ghera Gennadievna Otdelnaya

27. Volga region office

Adress: 410065, Saratov region, Saratov, Vtoroj Krasnoarmeisk tupik , 1A  
Telephone/Fax: (8452) 459-000, доб. 65-14  
E-mail: privolzhskiy@rostatus.ru  
Director - Yelena Nikolaevna Avdeeva

28. Rybinsk office

Adress: 152903, Yaroslavl Region, Rybinsk, prospect Lenina, д. 148  
Telephone/Fax: (4855) 29-66-00, (4855) 29-64-27  
E-mail: rybinsk@rostatus.ru  
Rybinsk - Tatyana Nikolaevna Philippova

29. Ryazan Office

Address: 390000, Ryazan, ploshchad Sobornaya, 52  
Telephone/Fax: (4912) 99-49-77, 28-44-76  
E-mail: ryazan@rostatus.ru; status@post.nlink.ru  
Director: Larisa Konstantinovna Romashova

30. Samara Office

Address: 443100, Samara, Molodogvardeiskatya/ Iarmochnaya st., 167/3  
Telephone/Fax: (846) 332-41-77, 332-82-29  
E-mail: samara@rostatus.ru

Rybinsk Vladimir Vladimirovich Obukhov

31. Saint Petersburg Office

Address: 197046, Saint Petersburg, ul. Chapayeva, 9, lit. A

Telephone/Fax: (812) 702-43-03, 498-12-04

E-mail: [spb@rostatus.ru](mailto:spb@rostatus.ru)

Director: Valery Eduardovich Albertovich

32. Saratov Office

Address: 410031, Saratov, ul. Moskovskaya, 35

Telephone/Fax: (8452) 23-39-91, 23-74-82, 27-43-73

E-mail: [saratov@rostatus.ru](mailto:saratov@rostatus.ru)

Director: Dmitry Aleksandrovich Dubovitsky

33. Syzran office

Address: 446010, Samara Region, Syzran, Hydroturbinnaya st. , 13

Telephone/Fax: (8464) 37-12-52, 37-24-18

E-mail: [syzran@rostatus.ru](mailto:syzran@rostatus.ru)

Director - Irina Fanilovna Onyshkina

34. Togliatti Office

Address: 445051, Samara Region, Togliatti, Frunze st., 6A

Telephone/Fax: (8482) 53-40-36, 53-40-23

E-mail: [togliatti@rostatus.ru](mailto:togliatti@rostatus.ru)

Director: Olga Stanislavovna Tarasova

35. Tomsk Office

Address: Russia, 634021, Tomsk, prospekt Frunze, 132

Telephone/Fax: (3822) 44-26-23

E-mail: [tomsk@rostatus.ru](mailto:tomsk@rostatus.ru)

Director: Natalia Mikhaylovna Yartseva

36. Ulyanovsk Office

Address: 432063, Ulyanovsk Region, Ulyanovsk, Mira st., 17A

Telephone/Fax: (8422) 42-30-55, 96-87-53

E-mail: [ulyanovsk@rostatus.ru](mailto:ulyanovsk@rostatus.ru)

Director: Yelena Aleksandrovna Belova

37. Ufa Office

Address: 450030, Republic of Bashkortostan, Ufa, Industrialnoye shosse, 119

Telephone/Fax: (347) 238-32-77, 238-18-81

E-mail: [ufa@rostatus.ru](mailto:ufa@rostatus.ru)

Director: Vladimir Petrovich Yatsko

38. Khabarovsk Office

Address: 680000, Khabarovsk Territory, Khabarovsk, Zaparina st., 119

Telephone/Fax: (4212) 32-56-54

E-mail: [khabarovsk@rostatus.ru](mailto:khabarovsk@rostatus.ru)

Director: Oleg Anatolievich Yarishev

## Appendix 11. Energy Resource Consumption

In 2014, energy resource consumption for production and business needs totaled RUB 5,042.9 mln (inclusive of VAT)

### Energy Resources for Business Needs Used in 2014

Item	Target Value/Indicator	Unit	2014 (Plan)	2014 (Actual)
1.2.	Consumption of resources for business needs, including by resource type	RUB mln (exclusive of VAT)	4,982	5,042.9
1.2.1.1.	Electricity	RUB mln (exclusive of VAT)	2,805.32	2,541.8
		RUB mln (exclusive of VAT)	1,031.63	994.10
1.2.1.2.	Heat	RUB mln (exclusive of VAT)	564.41	499.40
		thousand Gcal	596,673.83	451,060.07
1.2.1.3.	Other (gasoline, kerosene, diesel fuel, etc.)	RUB mln (exclusive of VAT)	1,412.81	1,890.55
		tonnes of fuel equivalent	23,412.33	23,489.72
1.2.2.	Hot water supply	thousand cbm	187.42	142.14
		RUB mln (exclusive of VAT)	8,22	6.02
1.2.3.	Cold water supply	thousand cbm	3,102.36	2,903.03
		RUB mln (exclusive of VAT)	61.52	65.12
1.2.4.	Natural gas	thousand cbm	11,459.19	9,699.50
		RUB mln (exclusive of VAT)	67.34	40.05

### Measures to Reduce Energy Resource Consumption for Production and Business Needs in 2014 (distributional lines)

Item	Target Value/Indicator	Unit	Effect (in physical terms)	Effect (RUB mln)
1	Electricity	RUB mln (exclusive of VAT)	0.80	11.01
2	Heat	Gcal	87,161.01	109.2
3	Hot water supply	thousand cbm	30.01	1.87
4	Cold water supply	thousand cbm	700.02	15.80
5	Natural gas	thousand cbm	2,172.01	6.73
6.	Other (gasoline, kerosene, diesel fuel, etc.)	tonnes of fuel equivalent	4.02	0.10
	<b>TOTAL</b>			<b>144.71</b>

### Measures to Reduce Energy Resource Consumption for Production and Business Needs in 2014 (transmission lines)

n/n	Target Value/Indicator	Unit	2014 (Plan)	2014 (Actual)
	Consumption of resources for business needs, including by resource type:			

1	<b>Electricity used in buildings</b>			
1.1	Consumption of electricity in buildings	mln kWh	-	32,551.6
1.2	Reduction of electricity in buildings	thousand Gcal	1.36	1.88
1.3	Reduction of energy resources purchasing costs	RUB mln (exclusive of VAT)	-	3,027.85
2	<b>Heat used in buildings</b>			
2.1	Consumption of heat in buildings	thousand Gcal	-	44.39
2.2	Reduction of heat in buildings	thousand kWh	946.62	861.56
2.3	Reduction of energy resources purchasing costs	RUB mln (exclusive of VAT)	-	1,800.51
3	<b>Gasoline</b>			
3.1	Consumption of gasoline	tonnes of fuel equivalent	-	8,232.34
3.2	Reduction of gasoline	tonnes of fuel equivalent	31.32	32.92
3.3	Saving of gasoline purchasing costs	RUB mln (exclusive of VAT)	1,269.97	997.66
4	<b>Diesel fuel</b>			
4.1	Consumption of diesel fuel	tonnes of fuel equivalent	-	6,960.78
4.2	Reduction of diesel fuel	tonnes of fuel equivalent	19.09	23.48
4.3	Saving of diesel fuel	RUB mln (exclusive of VAT)	761.14	733.00

**Reduction of Energy Resource Consumption for Production and Business Needs (transmission lines)**

In 2014, energy resource consumption for production and business needs totaled RUB 6.6 mln (inclusive of VAT).



APPENDICES TO

**Appendix 12. Information about unfinished trial, where the Company sues and is sued a claim for recovery of debt**

The Plaintiff	The Defendant	Matter in Controversy	Result
1. ZAO«Lider-Technology»	JSC ROSSETI	Debt recovery due to the contact of April 01, 2013 No15/2013/14 in the amount of RUB 605,666.67, legal costs in the amount of RUB 67 thousand.	On 05 March 2015 Arbitration Court of Moscow satisfied plaintiff's (the reasoning of judicial decisions was not made)

## Appendix 13. Changes in the Net Asset Value in 2012–2014: Notes and Comments

Indicator, thousand rubles	December 31, 2014	December 31, 2013	December 31, 2012
<b>EQUITY AND RESERVES</b>			
Share capital	163,154,003	163,154,003	49,946,844
Assets	143,581,943	194,949,651	137,505,226

1. In 2013, ROSSETI increased its share capital by issuing additional shares in accordance with the resolution of the Extraordinary General Meeting of Shareholders of May 6, 2013. Pursuant to subparagraph b of paragraph 1 of Decree of the President of the Russian Federation No. 1567 of November 22, 2012, “On Joint Stock Company ROSSETI,” the Russian Federation contributed shares in FGC UES as payment for these additional shares. The additional issue resulted in an increase in ROSSETI’s share capital to 163,154,002,694 rubles.

2. As of December 31, 2014, the Company’s net asset value was 19,572 million rubles less than its share capital. The net asset value calculated as of December 31, 2014, December 31, 2013, and December 31 2012, is shown in the table below. The net asset value calculation is based on the accounting form “Calculation of the Company’s Net Asset Value as of December 31, 2014.”

Indicator		Balance Sheet Item Code	December 31, 2014	December 31, 2013	December 31, 2012
1		2	3	4	5
<b>I.</b>	<b>Assets</b>				
1.	Intangible assets	1110	42,706	5,107	920
2.	R&D results	1120	-	-	-
3.	Intangible exploration assets	1130	-	-	-
4.	Tangible exploration assets	1140	-	-	-
5.	Fixed assets	1150	118,652	78,047	3,520,384
6.	Income-bearing investments in tangible assets	1160	4,084	4,237	4,391
7.	Long-term and short-term financial investments	1170+1240	134,110,389	185,444,645	146,646,247
8.	Other noncurrent assets	1180+1190	314,687	118,171	113,704
9.	Inventory	1210	16,338	18,026	6,326
10.	Input value added tax	1220	14,348	7,444	258,402
11.	Accounts receivable	1230	3,070,415	3,132,237	3,933,389
12.	Cash and cash equivalents	1250	6,640,452	6,981,543	3,379,176
13.	Other current assets	1260	50,763	23,424	28,737
14.	Total assets under review (total of 1–13)		144,382,834	195,812,881	157,891,676
<b>II.</b>	<b>Liabilities</b>				
15.	Long-term borrowings	1410	-	-	-

16.	Deferred tax liabilities	1420	6,465	6,254	4,105
17.	Estimated liabilities	1430+1540	224,729	376,561	416,280
18.	Other long-term liabilities	1450	-	-	-
19.	Short-term borrowings	1510	-	-	-
20.	Accounts payable	1520	515,026	432,776	19,965,865
21.	Other short-term liabilities	1550	54,671	47,639	200
22.	Total liabilities under review (total of 15–21)		800,891	863,230	20,386,450
23.	Net asset value (total assets under review (item 14) less total liabilities under review (item 22))		143,581,943	194,949,651	137,505,226

**3. The Company's net asset value was materially affected by a decrease in the value of financial investments in subsidiaries' shares because the market value of subsidiaries' shares traded in the regulated market went down in 2014.**

The fall in the share price is largely due to negative trends the Russian economy in general and in the electric power industry in particular: the share prices of the Company's SDCs changed in 2014 in line with general changes in the MICEX Power Index. The downturn in the market capitalization of electric grid companies was due to the following factors:

- the adverse impact of the macroeconomic environment where electric grid companies operated, including lower growth rates of power consumption, a deterioration in customers' payment discipline, and a rise in borrowing costs;
- restrictions on the tariff growth rate in the Forecast of the Socioeconomic Development of the Russian Federation for 2015–2017, the approval of economically unfeasible tariff and balancing decisions;
- a decrease in the asset value of electric grid companies because of lost income due to interrupted electricity consumption as a result of the following negative factors amid restrictions on the tariff growth rate in the Forecast of the Socioeconomic Development of the Russian Federation:
  - taking insufficient compensatory measures against the termination of last mile agreements;
  - using the mechanism of Minimum Regulated Revenue smoothing without its abolition for the current long-term regulation period with the current restrictions on the tariff growth rate;
  - expanding the list of network connections on preferential terms with restrictions on the tariff growth rate, leading to considerable uncompensated (lost) income received by grid companies.

The revaluation of shares at the end of 2014 decreased their book value by 55,439 million rubles.

To bring the net asset value into line with the amount of its share capital, the Company carries out strategic measures in accordance with the approved Long-Term Development Program, including measures to raise the market capitalization of its subsidiaries. The Program received approval from the Board of Directors in December 2014.

 Detailed information about the Long-Term Development Program and strategic development priorities is contained in the Annual Report in **Strategy Report/Prospects for Development**

5. The accounting statements for 2014 in accordance with Russian Accounting Standards are subject to approval by the Annual General Meeting of Shareholders scheduled for June 30, 2015, after the Board of Directors considers this issue and makes a recommendation at its meeting in May 2015.



#### Appendix 14. Compliance with the Corporate Governance Code in 2014

Item	Principle(s) of Corporate Governance or Key Criteria (Recommendations)	Brief Description of Compliance/Noncompliance with Principles or Key Criteria	Explanation of Key Reasons, Factors, and Circumstances Resulting in Noncompliance or Partial Compliance with Principles or Key Criteria; Description of Alternative Mechanisms and Instruments Used for Corporate Governance
1	2	3	4
<b>I. Shareholder Rights and the Equitable Treatment of Shareholders in the Exercise of Their Rights</b>			
1.1.	The company shall ensure the fair and equitable treatment of all shareholders when they exercise their right to participate in managing the company. The system and practice of corporate governance shall ensure the equitable treatment of all shareholders owning shares of the same category (type), including minority (small) shareholders and foreign shareholders, and their equitable treatment on the part of the company		
1.1.1.	<p>The company shall approve an internal document governing the basic procedures for the preparing, convening, and holding the general meeting of shareholder in accordance with recommendations contained in the Corporate Governance Code, including the company's obligation to:</p> <ul style="list-style-type: none"> <li>notify shareholders of the general meeting of shareholders and provide them with access to materials, including posting such notices and materials on the company's website at least 30 days prior to the general meeting of shareholders (unless the laws of the Russian Federation provide for a longer period);</li> <li>disclose the date of the list of the persons entitled to participate in the general meeting of shareholders at least 7 days prior to such date;</li> <li>make available additional information and materials for the general meeting of shareholders with respect to items on the agenda in accordance with recommendations contained in the</li> </ul>	Partially compliant	<p>The General Meeting of Shareholders of JSC ROSSETI approved the Regulations for the General Meeting of Shareholders of JSC ROSSETI. As of the time of their approval in 2014, the Regulations are in compliance with the applicable laws.</p> <p>The Company is currently in the process of bringing the Articles of Association of the Company and the Regulations for the General Meeting of Shareholders of the Company into line with the Corporate Governance Code, specifically by including the following provisions:</p> <ul style="list-style-type: none"> <li>- the Company aims to ensure that materials for the General Meeting of Shareholders are available at least 30 days prior to the General Meeting of Shareholders.</li> <li>- information about the date of the list of the persons entitled to participate in the General Meeting of Shareholders of the Company is disclosed at least seven (7) days prior to such date.</li> <li>- in the course of making preparations for the General Meeting of Shareholders, shareholders may also be provided with the following additional materials for the consideration of the relevant items on the agenda: <ul style="list-style-type: none"> <li>-information concerning the nominees for the Company's auditors sufficient to form an opinion about their professional qualifications and independence, including the name of the self-regulatory organization of auditors in which the nominee for the Company's auditor holds membership, a description of the procedures used for the selection of external auditors and ensuring their independence and objectivity, information on the proposed fee for external auditors for audit and non-</li> </ul> </li> </ul>

	Corporate Governance Code		<p>audit services (including information on compensation payments and other expenses associated with engaging the auditor), and other material terms and conditions of the agreements with the Company's auditors);</p> <p>–justification for the proposed distribution of net profits and an assessment of whether such distribution is in accordance with the Company's dividend policy, including the distribution for dividend payment and the Company's business needs, with explanations and economic justification for the necessity to allocate a certain portion of net profits for business needs;</p> <p>–detailed information on the procedure for calculating the amount of dividends on the Company's preference shares with respect to which the Company has prescribed the procedure for their calculation.</p> <p>The Articles of Association of the Company and the Regulations for the General Meeting of Shareholders with these amendments are intended to be approved by the Annual General Meeting of Shareholders of the Company in 2015.</p>
1.1.2.	The company shall assume the obligations to enable the shareholders in the course of in the course of making preparations for and holding the general meeting of shareholders to ask members of management and control bodies, members of the audit committee, the chief accountant, and candidates for management and control bodies about the company's activities. Such obligations shall be specified in the articles of association or internal documents of the company	Partially compliant	<p>These obligations of the Company are not specified in the Articles of Association and internal documents.</p> <p>Shareholders have the right to ask questions about the agenda of the General Meeting of Shareholders, which is implemented in practice.</p> <p>The Regulations for the General Meeting of Shareholders of JSC ROSSETI specifies the right of the Company's shareholders to participate in discussion and ask questions only in the course of the General Meeting of Shareholders.</p> <p>However, shareholders are able to address questions to the Company in the course of making preparations for the General Meeting of Shareholders although this right is not specified in the Regulations.</p>
1.1.3.	The company shall assume the obligations to adhere to the principle of the inadmissibility of actions that lead to any artificial redistribution of corporate control (for example, voting quasi-treasury shares, deciding to pay dividends on preference shares while	Not compliant	<p>These obligations of the Company are not specified in the Articles of Association and internal documents of the Company. Actually, the Company adheres to the principle of the inadmissibility of actions that lead to any artificial redistribution of corporate control.</p>

	financial resources are limited, deciding not to pay dividends on preference shares payable under the company's articles of association if there are sufficient resources for dividend payment). Such obligations shall be specified in the articles of association or internal documents of the company		
1.2	Shareholders shall receive equitable and fair treatment with respect to participation in the company's profits by receiving dividends		
1.2.1.	<p>The company shall approve an internal document governing the company's dividend policy in accordance with recommendations contained in the Corporate Governance Code, with such document specifying, among other things:</p> <p>the procedure for determining the portion of net profits (in the case of companies preparing consolidated financial statements, the minimum portion (share) of consolidated net profits) allocated for dividend payment and defining the conditions that shall be fulfilled to declare dividends;</p> <p>the minimum amount of dividends on the company's shares of different categories (types);</p> <p>the obligation to disclose the document governing the company's dividend policy on the company's website</p>	Compliant	
<b>II. Board of Directors of the Company</b>			
2.1	The board of directors shall determine the principal long-term strategic targets of the company's activities and the company's key performance indicators, shall be in charge of the strategic management of the company, shall define the basic principles of and approaches to organizing the company's risk management and internal control system, shall supervise the activities of the company's executive bodies, shall define the company's policy on remuneration for members of the board of directors and executive bodies, and shall perform other key functions		
2.1.1.	The company shall establish the board	Compliant	

	<p>of directors, which shall:</p> <ul style="list-style-type: none"> <li>determine the principal long-term strategic targets of the company's activities and the company's key performance indicators;</li> <li>supervise the activities of the company's executive bodies;</li> <li>define the principles of and approaches to organizing the company's risk management and internal control;</li> <li>define the company's policy on remuneration for members of the board of directors, executive bodies, and other key executives of the company</li> </ul>		
2.2.	The board of directors shall be the company's efficient and professional management body able to make objective and independent judgments and make decisions that meet the interests of the company and its shareholders. The chairman of the board of directors shall facilitate the most effective performance of the functions entrusted to the board of directors. Meetings of the board of directors, preparations for such meetings, and participation by members of the board of directors in such meetings shall ensure the efficient operation of the board of directors		
2.2.1.	The chairman of the board of directors shall be an independent director, or the elected independent directors shall select the senior independent director to coordinate the work of independent directors and interact with the chairman of the board of directors	Not compliant	<p>In accordance with Ordinance of the Government of the Russian Federation No. 489-r of March 31, 2014, "On the Nomination of Candidates for Election as Representatives of the Russian Federation and Independent Directors to the Board of Directors and the Internal Audit Commission of Joint Stock Company ROSSETI," S. I. Shmatko is a representative of the Russian Federation (professional attorney-in-fact) on the Board of Directors of the Company.</p> <p>In accordance with directives issued by the Government of the Russian Federation, the Board of Directors resolved on July 23, 2014, to elect S. I. Shmatko as the Chairman of the Board of Directors of the Company. Therefore, the Company fails to comply with this principle.</p> <p>The senior independent coordinating director is not selected by the Company's independent directors.</p>
2.2.2.	Internal documents of the company shall specify the procedure for making preparations for and holding meetings of the board of directors, providing members of the board of directors with	Partially compliant	<p>The General Meeting of Shareholders of JSC ROSSETI approved the Regulations for the Board of Directors of JSC ROSSETI. As of the time of their approval in 2014, the Regulations are in compliance with the applicable laws.</p> <p>The Company is currently in the process of bringing the Regulations</p>

	<p>the opportunity to adequately prepare for such meetings, with such procedure specifying, among other things:</p> <p>the deadline for notifying members of the board of directors of the forthcoming meeting;</p> <p>the deadline for sending documents (ballots) for voting and receiving completed documents (ballots) if any meeting is held in absentia;</p> <p>the ability to send and take into account a written opinion on items on the agenda if any member of the board of directors is absent from an in-person meeting;</p> <p>the ability to discuss and vote by conference call and videoconferencing</p>		<p>for the Board of Directors of the Company into line with the Corporate Governance Code, specifically by intending to include a provision stating that the Chairman of the Board of Directors may decide to enable members of the Board of Directors who are not physically present at the place of a meeting of the Board of Directors may be enabled to participate in discussing items on the agenda and vote remotely, namely by conference call and videoconferencing.</p> <p>The Regulations for the Board of Directors with these amendments are intended to be approved by the Annual General Meeting of Shareholders of the Company in 2015.</p>
2.2.3.	<p>The most important issues shall be addressed by the board of directors at its meetings held in person. The list of such issues shall be in compliance with recommendations contained in the Corporate Governance Code<sup>1</sup></p>	Partially compliant	<p>At its meetings in 2014, the Board of Directors of the Company addressed the following issues:</p> <ul style="list-style-type: none"> <li>- approval of the priority areas of the Company's activities and the financial and economic plan of the Company - 1 in person and 2 in absentia;</li> <li>- convocation of the Annual General Meeting of Shareholders and the decisions necessary for its convocation and holding - 1 in absentia;</li> <li>- tentative approval of the Annual Report of the Company - 1 in absentia;</li> <li>- election of the Chairman of the Board of Directors - 1 in absentia;</li> <li>- consideration of the material aspects of activities of corporate entities controlled by the Company - 2 in absentia;</li> <li>- issues related to the mandatory proposals (directives) received by the Company - 2 in person and 17 in absentia;</li> <li>- consideration of the Company's financing activities for the reporting period (quarter, year) - 1 in person and 1 in absentia;</li> <li>- consideration of the results of performance evaluation in relation</li> </ul>

<sup>1</sup> Specified in paragraph 168 of Part B of the Corporate Governance Code

			to the board of directors, executive bodies, and key executives of the Company - 1 in absentia; - decision on remuneration payable to members of executive bodies and other key executives of the Company - 1 in absentia; - review of the Risk Management Policy - 1 in absentia; - approval of the Dividend Policy of the Company - 1 in person.
2.3.	The composition of the board of directors shall include the sufficient number of independent directors		
2.3.1.	Independent directors shall constitute at least one-third of the elected members of the board of directors	Compliant	
2.3.2.	Independent directors shall fully meet the independence criteria recommended by the Corporate Governance Code	Partially compliant	<p>The Company believes that two independent directors currently meet the independence criteria recommended by the Corporate Governance Code.</p> <ul style="list-style-type: none"> <li>- Alexander Sergeyevich Kalinin, a member of the Board of Directors of JSC ROSSETI and First Vice President of OPORA RUSSIA All-Russian Public Organization of Small and Medium Business;</li> <li>- Alexei Aleksandrovich Makarov, a member of the Board of Directors of JSC ROSSETI and Academician of the Russian Academy of Sciences;</li> </ul> <p>Sergei Nikolaevich Mironosetsky, a member of the Board of Directors of JSC ROSSETI, fails to fully meet the independence criteria recommended by the Corporate Governance Code because he is a member of the boards of directors of more than two corporate entities controlled by a substantial shareholder of the Company or by a person that controls a substantial shareholder of the Company (the Russian Federation represented by the Federal Agency for State Property Management of the Russian Federation), namely JSC FGC UES, JSC ROSSETI, and IDGC of Siberia, JSC (indirectly controlled by the Federal Agency for State Property Management of the Russian Federation through controlling IDGC of Siberia, JSC's substantial shareholder, namely JSC ROSSETI).</p>
2.3.3.	The board of directors (nomination committee) shall assess whether nominees for election to the board of directors meet the independence criteria	Not compliant	<p>The Nomination and Remuneration Committee of the Board of Directors of the Company does not assess whether nominees for election to the Board of Directors meet the independence criteria.</p> <p>The Board of Directors of JSC ROSSETI approved the Regulations for the Nomination and Remuneration Committee of the Board of Directors of the Company. The Regulations fail to deal with this issue.</p>

			<p>The Company is currently in the process of bringing the Regulations for the Nomination and Remuneration Committee of the Board of Directors into line with the Corporate Governance Code, specifically by including the following provisions as objectives of the Nomination and Remuneration Committee of the Board of Directors:</p> <ul style="list-style-type: none"> <li>- analysis of professional qualifications and independence of nominees for election to the Board of Directors of the Company;</li> <li>- assessment of members of the Board of Directors in the context of professional expertise, experience, independence, and involvement in the work of the Board of Directors, establishing the priorities for strengthening the composition of the Board of Directors.</li> </ul> <p>The Regulations for the Nomination and Remuneration Committee of the Board of Directors with these amendments are intended to be approved by the Board of Directors of the Company in the second half of 2015.</p>
2.4.	The board of directors shall establish committees for the preliminary consideration of the most important issues related to the activity of the company		
2.4.1.	The board of directors of the company shall establish the audit committee composed of independent directors, with the committee's functions being specified in internal documents and being in compliance with recommendations contained in the Corporate Governance Code <sup>2</sup>	Compliant	
2.4.2.	The board of directors of the company shall establish the remuneration committee (may be combined with the nomination committee) composed of independent directors, with the committee's functions being specified in internal documents and being in compliance with recommendations contained in the Corporate Governance Code <sup>3</sup>	Partially compliant	<p>The Board of Directors of the Company has the Nomination and Remuneration Committee composed of independent directors.</p> <ul style="list-style-type: none"> <li>– Alexander Sergeevich Kalinin, a member of the Board of Directors of JSC ROSSETI and First Vice President of OPORA RUSSIA All-Russian Public Organization of Small and Medium Business;</li> <li>– Alexei Aleksandrovich Makarov, a member of the Board of Directors of JSC ROSSETI and Academician of the Russian Academy of Sciences;</li> <li>– Sergei Nikolaevich Mironosetsky, a member of the Board of Directors of JSC ROSSETI.</li> </ul>

<sup>2</sup> Specified in paragraph 172 of Part B of the Corporate Governance Code

<sup>3</sup> Specified in paragraph 180 of Part B of the Corporate Governance Code

			<p>However, the Committee's functions are not consistent with the Committee's objectives specified in paragraph 180 of Part B of the Corporate Governance Code because the Regulations for the Nomination and Remuneration Committee of the Board of Directors of the Company approved by the Board of Directors of JSC ROSSETI currently fail to specify such functions.</p> <p>The Company is currently in the process of bringing the Regulations for the Nomination and Remuneration Committee of the Board of Directors into line with the Corporate Governance Code, specifically by including the following provisions as objectives of the Nomination and Remuneration Committee of the Board of Directors:</p> <ul style="list-style-type: none"> <li>- interaction with shareholders in order to form the composition of the Board of Directors that meets the goals and objectives of the Company to the fullest extent possible;</li> <li>- analysis of professional qualifications and independence of nominees for election to the Board of Directors of the Company;</li> <li>- formulation and provision of recommendations for shareholders with respect to voting on the election of candidates to the Board of Directors of the Company;</li> <li>- formulation of recommendations for the Board of Directors with respect to candidates for the position of the sole executive body, members of the Management Board of the Company, and other key executives that require approval from the Board of Directors of the Company;</li> <li>- formulation of recommendations for the Board of Directors with respect to candidates for the position of the Corporate Secretary of the Company;</li> <li>- analysis of the Company's current and anticipated needs with respect to the professional qualifications of the sole executive body, the Management Board of the Company, and other key executives as required by the interests of the Company's competitiveness and development; planning of continuity with respect to such persons;</li> <li>- development of the principles and criteria in relation to remuneration for the Chairman and members of the Internal Audit Commission of the Company;</li> <li>- preparation of proposals and recommendations to determine the amount of remuneration and the principles of bonus payment for the</li> </ul>
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			<p>Corporate Secretary of the Company; preliminary annual performance evaluation of the Corporate Secretary of the Company and proposals for bonus payment for the Corporate Secretary of the Company;</p> <ul style="list-style-type: none"> <li>– assessment of members of the Board of Directors in the context of professional expertise, experience, independence, and involvement in the work of the Board of Directors, establishing the priorities for strengthening the composition of the Board of Directors;</li> <li>– description of the individual responsibilities of the Board of Directors and the Chairman of the Board of Directors;</li> <li>– formulation of the introductory course program for newly elected members of the Board of Directors, aiming to familiarize new members of the Board of Directors with the key assets of the Company, its strategy, the business practices applied by the Company, the organizational structure of the Company, key executives of the Company, and the working procedures of the Board of Directors; supervision over the practical implementation of the introductory course.</li> </ul> <p>The Regulations for the Nomination and Remuneration Committee of the Board of Directors with these amendments are intended to be approved by the Board of Directors of the Company in the second half of 2015.</p>
2.4.3.	<p>The board of directors of the company shall establish the nomination committee (may be combined with the remuneration committee), with most of its members being independent directors, with the committee’s functions being in compliance with recommendations contained in the Corporate Governance Code<sup>4</sup></p>	Partially compliant	<p>The Board of Directors of the Company has the Nomination and Remuneration Committee composed of independent directors.</p> <ul style="list-style-type: none"> <li>– Alexander Sergeyevich Kalinin, a member of the Board of Directors of JSC ROSSETI and First Vice President of OPORA RUSSIA All-Russian Public Organization of Small and Medium Business;</li> <li>– Alexei Aleksandrovich Makarov, a member of the Board of Directors of JSC ROSSETI and Academician of the Russian Academy of Sciences;</li> <li>– Sergei Nikolaevich Mironosetsky, a member of the Board of Directors of JSC ROSSETI.</li> </ul> <p>However, the Committee’s functions are not consistent with the Committee’s objectives specified in paragraph 180 of Part B of the Corporate Governance Code because the Regulations for the Nomination and Remuneration Committee of the Board of Directors of the Company approved by the Board of Directors of JSC ROSSETI currently fail to</p>

<sup>4</sup> Specified in paragraph 186 of Part B of the Corporate Governance Code

		<p>specify such functions.</p> <p>The Company is currently in the process of bringing the Regulations for the Nomination and Remuneration Committee of the Board of Directors into line with the Corporate Governance Code, specifically by including the following provisions as objectives of the Nomination and Remuneration Committee of the Board of Directors:</p> <ul style="list-style-type: none"> <li>– interaction with shareholders in order to form the composition of the Board of Directors that meets the goals and objectives of the Company to the fullest extent possible;</li> <li>– analysis of professional qualifications and independence of nominees for election to the Board of Directors of the Company;</li> <li>– formulation and provision of recommendations for shareholders with respect to voting on the election of candidates to the Board of Directors of the Company;</li> <li>– formulation of recommendations for the Board of Directors with respect to candidates for the position of the sole executive body, members of the Management Board of the Company, and other key executives that require approval from the Board of Directors of the Company;</li> <li>– formulation of recommendations for the Board of Directors with respect to candidates for the position of the Corporate Secretary of the Company;</li> <li>– analysis of the Company’s current and anticipated needs with respect to the professional qualifications of the sole executive body, the Management Board of the Company, and other key executives as required by the interests of the Company’s competitiveness and development; planning of continuity with respect to such persons;</li> <li>– development of the principles and criteria in relation to remuneration for the Chairman and members of the Internal Audit Commission of the Company;</li> <li>– preparation of proposals and recommendations to determine the amount of remuneration and the principles of bonus payment for the Corporate Secretary of the Company; preliminary performance evaluation of the Corporate Secretary of the Company at year-end and proposals for bonus payment for the Corporate Secretary of the Company;</li> <li>– assessment of members of the Board of Directors in the context of professional expertise, experience, independence, and involvement in the</li> </ul>
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			<p>work of the Board of Directors, establishing the priorities for strengthening the composition of the Board of Directors;</p> <ul style="list-style-type: none"> <li>– description of the individual responsibilities of the Board of Directors and the Chairman of the Board of Directors;</li> <li>– formulation of the introductory course program for newly elected members of the Board of Directors, aiming to familiarize new members of the Board of Directors with the key assets of the Company, its strategy, the business practices applied by the Company, the organizational structure of the Company, key executives of the Company, and the working procedures of the Board of Directors; supervision over the practical implementation of the introductory course.</li> </ul> <p>The Regulations for the Nomination and Remuneration Committee of the Board of Directors with these amendments are intended to be approved by the Board of Directors of the Company in the second half of 2015.</p>
2.5.	The board of directors shall ensure performance evaluation in relation to the board of directors, its committees, and members of the board of directors		
2.5.1.	Performance evaluation in relation to the board of directors shall be made on a regular basis at least once a year, and at least every three years, such evaluation shall be made by an outside organization (consultant)	Compliant	
<b>III. Corporate Secretary of the Company</b>			
3.1	Responsibility for effective day-to-day interaction with shareholders, the coordination of the company's measures to protect the rights and interests of shareholders, and support for the efficient work of the board of directors lies with the corporate secretary (a special division headed by the corporate secretary)		
3.1.1.	The corporate secretary shall be accountable to the board of directors and shall be appointed and dismissed pursuant to a decision or with the consent of the board of directors	Not compliant	<p>The Company does not have the position of the Corporate Secretary. Up to now, the Company has had the Secretary of the Board of Directors appointed after the election of new members of the Board of Directors. In accordance with the Action Plan (Road Map) to Introduce the Corporate Governance Code into the Activities of the Company approved by the Board of Directors of the Company on March 10, 2015, the Company intends to introduce the position the Corporate Secretary in compliance with recommendations contained in the Corporate Governance Code, amend the Articles of Association of the Company at the Annual General Meeting of Shareholders in 2015, and approve the Regulations for the Corporate Secretary in the second half of 2015.</p>

3.1.2.	The company shall approve an internal document governing the rights and duties of the corporate secretary (regulations for the corporate secretary), with the contents of such document being in compliance with recommendations contained in the Corporate Governance Code <sup>5</sup>	Not compliant	The Company does not have the position of the Corporate Secretary. Up to now, the Company has had the Secretary of the Board of Directors appointed after the election of new members of the Board of Directors. In accordance with the Action Plan (Road Map) to Introduce the Corporate Governance Code into the Activities of the Company approved by the Board of Directors of the Company on March 10, 2015, the Company intends to introduce the position the Corporate Secretary in compliance with recommendations contained in the Corporate Governance Code, amend the Articles of Association of the Company at the Annual General Meeting of Shareholders in 2015, and approve the Regulations for the Corporate Secretary in the second half of 2015.
3.1.3.	The corporate secretary's position shall not be combined with the performance of any other functions in the company. The corporate secretary's functions shall be in accordance with recommendations contained in the Corporate Governance Code. <sup>6</sup> The corporate secretary shall have sufficient resources to perform the corporate secretary's functions	Not compliant	The Company does not have the position of the Corporate Secretary. Up to now, the Company has had the Secretary of the Board of Directors appointed after the election of new members of the Board of Directors. In accordance with the Action Plan (Road Map) to Introduce the Corporate Governance Code into the Activities of the Company approved by the Board of Directors of the Company on March 10, 2015, the Company intends to introduce the position the Corporate Secretary in compliance with recommendations contained in the Corporate Governance Code, amend the Articles of Association of the Company at the Annual General Meeting of Shareholders in 2015, and approve the Regulations for the Corporate Secretary in the second half of 2015.
<b>IV. System of Remuneration for Members of the Board of Directors, Executive Bodies, and Other Key Executives of the Company</b>			
4.1.	The level of remuneration paid by the company shall be sufficient to recruit, motivate, and retain individuals with the competencies and qualifications necessary for the company. Remuneration shall be paid to members of the board of directors, executive bodies, and other key executives of the company in accordance with the company's policy on remuneration		
4.1.1.	The company shall have regulatory documents governing all payouts, benefits, and privileges granted to members of the board of directors, executive bodies, and other key executives of the company	Compliant	
4.2.	The system of remuneration for members of the board of directors shall ensure that directors' financial interests become closer to shareholders' long-term		

<sup>5</sup> Specified in paragraph 217 of Part B of the Corporate Governance Code

<sup>6</sup> Specified in paragraph 218 of Part B of the Corporate Governance Code

	financial interests		
4.2.1.	The company shall not apply any form of remuneration payable to members of the board of directors other than fixed annual remuneration	Compliant	
4.2.2.	Members of the board of directors shall not be entitled by the company to participate in any stock option programs, and the right to sell their shares in the company shall not be conditional upon the attainment of certain performance indicators	Compliant	
4.3.	The system of remuneration for executive bodies and other key executives of the company shall make remuneration dependent upon the company's performance results and upon their personal contribution to achieving such results		
4.3.1.	The company shall have a program of long-term incentives for members of executive bodies and other key executives of the company	Compliant	
<b>V. Risk Management and Internal Control System</b>			
5.1.	The company shall have an effective risk management and internal control system designed to provide reasonable assurance that the company achieves their goals		
5.1.1.	The board of directors shall define the principles of and approaches to organizing the company's risk management and internal control systems	Compliant	
5.1.2.	The company shall establish a special risk management and internal control division	Compliant	
5.1.3.	The company shall formulate and implement its anti-corruption policy defining measures to form the elements of its corporate culture and organizational structure and the rules and procedures for the prevention of corruption	Compliant	

5.2.	In order to systematically independently evaluate the reliability and efficiency of the risk management and internal control system and corporate governance practices, the company shall organize internal audit		
5.2.1.	The company shall establish a special internal audit division functionally subordinate to the board of directors of the company. The functions of this division shall be in compliance with recommendations contained in the Corporate Governance Code and shall include, among other things: evaluating the effectiveness of the internal control system; evaluating the effectiveness of the risk management system; evaluating corporate governance (in the absence of the corporate governance committee)	Compliant	
5.2.2.	The chief internal audit executive shall be accountable to the board of directors of the company and shall be appointed and dismissed by the decision of the board of directors of the company	Compliant	
5.2.3.	The company shall approve the internal audit policy (regulations for internal audit) defining the goals, objectives, and functions of internal audit	Compliant	
<b>VI. Disclosure of Information about the Company; the Information Policy of the Company</b>			
6.1.	The company and its activities shall be transparent to shareholders, investors, and other stakeholders		
6.1.1.	The company shall approve an internal document governing the company's information policy in accordance with recommendations contained in the Corporate Governance Code. The information policy of the company shall include the following methods for interacting with investors	Compliant	

	<p>and other stakeholders:</p> <ul style="list-style-type: none"> <li>organizing a special page on the company's website to post replies to typical questions from shareholders and investors, a regularly updated calendar of the company's corporate events, and other information useful for shareholders and investors;</li> <li>holding regular meetings of members of the executive bodies and other key executives of the company with analysts;</li> <li>making regular presentations (including in the form of conference calls, videoconferences, and webcasts) and meetings with the involvement of members of executive bodies and other key executives of the company, including those associated with the publication of the company's accounting (financial) statements or related to the company's major capital investment projects and strategic development plans</li> </ul>		
6.1.2.	<p>The information policy of the company shall be carried out by executive bodies of the company. Supervision over proper disclosure and compliance with the information policy shall be exercised by the board of directors of the company</p>	Compliant	
6.1.3.	<p>The company shall have procedures ensuring the coordination of all of the company's units and divisions that are related to disclosure or whose activities may lead to the necessity for disclosure</p>	Compliant	
6.2.	<p>The company shall disclose complete, updated, and accurate information about the company in a timely manner to enable the company's shareholders and investors to make informed decisions</p>		

6.2.1.	If there is a substantial share of foreign equity investors, then the company shall, in parallel with disclosure in Russian, ensure the disclose of material information about the company (including notices of the general meeting of shareholders, the annual report of the company) in a foreign language that is generally accepted in the financial market	Compliant	
6.2.2.	The company shall ensure the disclosure of information not only about itself but also about the company-controlled corporate entities of material importance to the company	Compliant	
6.2.3.	The company shall disclose annual and interim (six-month) consolidated or separate financial statements prepared in accordance with International Financial Reporting Standards (IFRS). Annual consolidated or separate financial statements shall be disclosed along with auditors' reports, and interim (six-month) consolidated or separate financial statements shall be disclosed along with reports on review of financial statements or audit reports	Compliant	
6.2.4.	The Company shall disclose a special memorandum that contains plans of the person controlling the company regarding the company. This memorandum shall be in accordance with recommendations contained in the Corporate Governance Code <sup>7</sup>	Not compliant	The Company does not disclose a memorandum that contains plans of the person controlling the Company, namely the Russian Federation represented by the Federal Agency for State Property Management of the Russian Federation, regarding the Company.

<sup>7</sup> Specified in paragraph 279 of Part B of the Corporate Governance Code

6.2.5.	The company shall ensure the disclosure of detailed information on the biographical data of members of the board of directors, including information about whether they are independent directors, and the prompt disclosure of information about the fact that a member of the board of directors ceases to be an independent director	Compliant	
6.2.6.	The company shall disclose information about its capital structure in accordance with recommendations contained in the Corporate Governance Code	Compliant	
6.2.7.	<p>The annual report of the company shall contain additional information recommended by the Corporate Governance Code:</p> <ul style="list-style-type: none"> <li>overview of the most significant transactions, including associated transactions, completed by the company and its controlled entities over the past year;</li> <li>annual performance report in relation to the board of directors (including committees of the board of directors) containing, among other things, information about the number of in-person (absentee) meetings, about the participation of each member of the board of directors in meetings; a description of the most significant and difficult issues discussed at meetings of the board of directors and committees of the board of directors; the main recommendations provided by</li> </ul>	Compliant	

<p>committees for the board of directors;  information about the company's shares directly or indirectly held by members of the board of directors and executive bodies of the company;  information about whether members of the board of directors and executive bodies have any conflicts of interest (including in connection with such persons' membership in the management bodies of the company's competitors);  description of the system of remuneration for members of the board of directors, including the amount of annual individual remuneration for each member of the board of directors (broken down into base remuneration, additional remuneration for the chairmanship of the board of directors and for the chairmanship of (membership in) committees of the board of directors, the size of participation in the long-term incentive program, and the size of the participation of each member of the board of directors in the stock option program (if any)), compensation for expenses associated with membership in the board of directors, and compensation for the company's expenses associated with liability insurance for directors as members of management bodies;  information about total annual remuneration:  a) for a group of at least the five highest-paid members of executive bodies and other key executives of the</p>		
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	<p>company, broken down by type of remuneration;</p> <p>b) for all members of executive bodies and other key executives of the company who are subject to the company's remuneration policies, broken down by type of remuneration;</p> <p>information about the annual remuneration that has been paid or is payable to the sole executive body by the company (or a corporate entity that is a member of the same group as the company), broken down by type of remuneration, for the performance of the sole executive body's functions or otherwise</p>		
6.3.	The company shall provide equal and unobstructed access to information and documents at a shareholder's request		
6.3.1.	In accordance with the information policy of the company, the company's shareholders owning the same number of voting shares in the company shall be provided with equal access to information and documents of the company	Compliant	
<b>VII. Significant Corporate Actions</b>			
7.1.	Any actions that significantly affect or may affect the capital structure and financial condition of the company and, therefore, the position of shareholders (significant corporate actions) shall be conducted upon the fair terms and conditions that provide protection for the rights and interests of shareholders and other stakeholders		
7.1.1.	The articles of association of the company shall specify the list of (criteria for) transactions or other actions that are significant corporate actions that require authorization by the board of directors of the company, including:	Partially compliant	<p>The Articles of Association of the Company specifies the list of transactions that require authorization by the Board of Directors of the Company.</p> <p>In accordance with the Articles of Association of the Company, the competence of the Board of Directors shall include, among other things, the following issues in relation to transactions and actions of the Company and subsidiaries and dependent companies:</p> <ul style="list-style-type: none"> <li>- authorize material transactions as specified in Chapter X of the</li> </ul>

		<p>Federal Law “On Joint-Stock Companies”;</p> <ul style="list-style-type: none"> <li>- authorize transactions specified in Chapter XI of the Federal Law “On Joint-Stock Companies”;</li> <li>- tentatively approve decisions to enter into transactions involving the Company’s non-current assets constituting from ten (10) percent to twenty-five (25) percent of the book value of such assets according to the accounting statements as of the latest reporting date;</li> <li>- tentatively approve decisions on the Company entering into transactions (including several associated transactions) in connection with the disposal or possible disposal of the property that constitutes fixed assets, intangible assets, and construction-in-progress intended for the generation, transmission, dispatching, and distribution of electricity and heat in the instances (to the extent) defined by separate decisions of the Board of Directors of the Company;</li> <li>- tentatively approve decisions on the Company entering into transactions (including several associated transactions) in connection with the disposal or possible disposal of the property that constitutes fixed assets, intangible assets, and construction-in-progress not intended for the generation, transmission, dispatching, or distribution of electricity and heat in the instances (to the extent) defined by separate decisions of the Board of Directors of the Company;</li> </ul> <p>However, the Articles of Association do not expressly specify “significant actions” or “significant transactions.”</p>
- reorganization of the company;	Partially compliant	<p>The Articles of Association of the Company do not specify that the reorganization of the company fall within the competence of the Board of Directors because, under the applicable laws, this issue falls within the competence of the General Meeting of Shareholders.</p> <p>However, the competence of the Board of Directors includes deciding on defining the position with respect to the reorganization and liquidation of subsidiaries and dependent companies.</p>
- acquisition of 30 or more percent of voting shares in the company (takeover);	Partially compliant	<p>The Articles of Association of the Company specify that the competence of the Board of Directors includes deciding on the acquisition of the Company’s own shares as provided for in law and on the disposal of the Company’s treasury shares and deciding on the acquisition of shares, bonds, and other issue-grade securities placed by the Company where specified in the Federal Law “On Joint-Stock Companies.” However, the</p>

		Articles of Association of the Company do not specify the percentage of acquired voting shares in contrast to 30 percent (takeover) provided for in the Corporate Governance Code, which is not inconsistent with the Federal Law “On Joint-Stock Companies.”
- increase or decrease in the authorized capital of the company;	Partially compliant	<p>The Articles of Association of the Company specify that any decision to decrease the authorized capital of the Company by reducing the par value of its shares, through the purchase by the Company of a part of its shares to reduce their total quantity, and through the retirement of shares acquired or repurchased by the Company shall be made by the General Meeting of Shareholders of the Company. In this connection, any decision to decrease the authorized capital of the Company by reducing the par value of its shares shall be made by the General Meeting of Shareholders only as proposed by the Board of Directors of the Company. This provision is consistent with the Federal Law “On Joint-Stock Companies.”</p> <p>Therefore, the Articles of Association of the Company do not specify that the competence of the Board of Directors includes deciding on any decrease in the authorized capital of the Company.</p>
- listing and delisting of shares in the company;	Partially compliant	<p>As related to decisions on the listing and delisting of the Company’s shares, the Articles of Association of the Company specify that the competence of the Board of Directors includes deciding on an application for the listing the Company’s shares and/or the Company’s issue-grade securities convertible into its shares.</p> <p>In accordance with federal laws, the competence of the General Meeting of Shareholders (i.e. not the competence of the Board of Directors) includes deciding on an application for the delisting of the Company’s shares and/or the Company’s issue-grade securities convertible into its shares.</p>
- transactions involving the sale of shares (stakes) in the company-controlled corporate entities of material importance to the company as a result of which the company loses control of such corporate entities;	Compliant	

	- transactions, including associated transactions, involving property of the company or its controlled entities if the value of such property exceeds the amount specified in the articles of association of the company or if such property is of material importance to the economic activities of the company;	Compliant	
	- establishment of the company-controlled corporate entities of material importance to the economic activities of the company;	Compliant	
	- disposal of treasury and quasi-treasury shares in the company	Partially compliant	<p>The Articles of Association of the Company do not specify that the competence of the Board of Directors includes deciding on the disposal by the Company of quasi-treasury shares. These corporate actions are in accordance with the provisions of the Civil Code of the Russian Federation, the Federal Law “On Joint-Stock Companies,” and other federal laws. Laws provide for the procedure for such actions, the procedure for decisions, implications, liability, and methods. Laws do not provide for any mechanism for the disposal by the Company of treasury and quasi-treasury shares, which makes it impossible to implement this recommendation, particularly in relation to companies indirectly controlled by the Company.</p> <p>However, the competence of the Board of Directors of the Company includes deciding on the acquisition of the Company’s own shares as provided for in law and on the disposal of the Company’s treasury shares. This provision is consistent with the applicable laws.</p>
7.2.	The company shall ensure that significant corporate actions are conducted in accordance with the procedure that allows shareholders to receive complete information on such actions in a timely manner, enables them to influence the conduct of such actions, and guarantees the respect and adequate protection of their rights in the course of conducting such actions		

7.2.1.	Internal documents of the company shall specify the equitable treatment of all shareholders of the company in the course of conducting significant corporate actions affecting the rights and legitimate interests of shareholders and shall also provide for additional measures to protect the rights and legitimate interests of the company's shareholders in accordance with the Corporate Governance Code, including:	Compliant	
	engaging an independent appraiser that holds a market-recognized impeccable reputation and has experience in the relevant area of appraisal or justifying the failure to engage an independent appraiser to determine the value of property acquired or transferred through a major transaction or a related party transaction;	Compliant	
	engaging an independent appraiser that holds a market-recognized impeccable reputation and has experience in the relevant area of appraisal to determine the price of the company's shares for their acquisition and repurchase, taking into account the weighted average share price over a reasonable period of time, without giving consideration to the effect associated with the relevant transaction conducted by the company (including without regard to changes in the share price due to the dissemination of information about the relevant transaction conducted by the company) and without giving	Partially compliant	<p>The Articles of Association of the Company (paragraphs 18 and 19 of Article 11) provide for the approval of major transactions and related party transactions in accordance with and where provided for in Chapters X and XI of the Federal Law "On Joint-Stock Companies." The Russian statutory regulations contained in these chapters specify that the price (money value) of property as determined by the Board of Directors of the Company shall be determined on the basis of the market value of such property and that an independent appraiser may be engaged to determine such price.</p> <p>Therefore, the Company complies partially with this recommendation. In addition, the Company is working to improve its internal documents.</p>

	consideration to any discount for the disposal of shares as part of a minority shareholding;		
	expanding the list of grounds to deem members of the board of directors of the company and other persons specified in laws to be related parties to the company's transactions in order to assess the actual relationship between the relevant persons	Partially compliant	<p>It is not planned to expand the list of grounds to deem members of the Board of Directors of the Company and other persons specified in laws to be related parties to the Company's transactions in order to assess the actual relationship between the relevant persons. Implementation is not planned because the requirements applicable to members of the Board of Directors who are entitled to vote for entering into a related party transaction are set forth in the Federal Law "On Joint-Stock Companies."</p> <p>Their expansion involves the risk of restricting the voting rights of members of the Board of Directors whose votes has not been taken into account for additional reasons but should have been taken into account in accordance with the requirements of the law.</p>